

**Town
Centre
Securities
PLC**

Resetting the business
for the future

Annual Report
and Accounts 2020

Town Centre Securities PLC | Annual Report & Accounts 2020



A15
11/11/2020
#298
COMPANIES HOUSE

WEDNESDAY

01. Strategic Report	14
At a glance	14
Business model	14
Chairman and Chief Executive's statement	14
Strategy and this	14
Strategy in action	14
Portfolio review	14
Personal finance	14
Section 172 statement	14
Corporate responsibility	14
Financial review	14
Risk Report	14
02. Corporate Governance	56
Introduction from Chairman	56
Board of Directors	56
Nominations Committee Report	56
Audit Committee Report	56
Directors' Remuneration Report	56
Directors' Report	56
Statement of Directors' responsibilities	56
03. Financial Statements	84
Independent Auditor's Report	84
Consolidated income statement	84
Consolidated statement of comprehensive income	84
Consolidated balance sheet	84
Consolidated statement of cash flows	84
Consolidated cash flow statement	84
Notes to the consolidated financial statements	84
Company balance sheet	84
Statement of changes in equity	84
Notes to the Company financial statements	84
04. Shareholder Information	100
Notice of Annual General Meeting	100
Investor information	100

Who we are

Town Centre Securities (TCS) is a property investment and development company with assets of over £380 million.

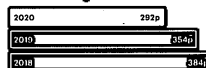
Our purpose

Through the acquisition and active management of property in sustainable locations, we create quality spaces for our tenants, help communities to thrive and generate value for shareholders over the long term.

Highlights

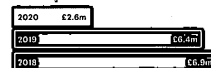
EPRA net assets per share

292p



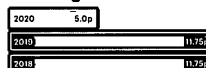
Adjusted EPRA earnings before tax

£2.6m



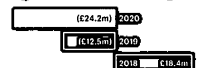
Total dividends per share

5.0p



Statutory profit before tax

(£24.2m)



Total property return

(2.1%)



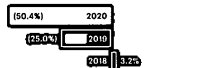
Adjusted EPRA earnings per share

4.9p



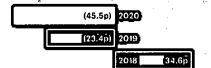
Total shareholder return

(50.4%)

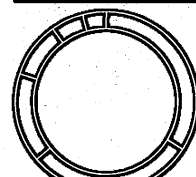


Statutory earnings per share

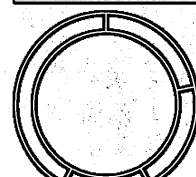
(45.5p)



Leeds



Manchester



At a glance

TCS is a UK real estate investment trust that has built a diversified, mixed use portfolio with a high-quality tenant base focused on regional centres, primarily Leeds and Manchester.

Our portfolio covers a wide range of sectors:

1

Office Space

Over 360,000 sq ft of prime office space, let to long-standing tenants including Leeds City Council.

Portfolio value

22%

2

Retail & Leisure

Focused on the more stable supermarket, discount, and convenience retailing sector. Leisure portfolio includes restaurants, coffee shops, gyms and a tenpin bowling facility.

Portfolio value

47%

3

Hotels

Own two hotels in Leeds at the year end, one let to and operated by Premier Inn, and one managed by TCS under the Ibis brand.

Portfolio value

6%

4

Residential

Completed our first purpose-built private rental sector building in 2019 and have plans to develop more residential properties.

Portfolio value

6%

5

Car Parking

Pioneering technology focused car parking operator managing car parks in key locations in Leeds, London, Manchester and Watford.

Portfolio value

7%

Read more on page 30

6

Developments

Development portfolio of over £600m GDV principally comprises large city centre sites at Piccadilly Basin in Manchester and Whitehall Road in Leeds, centred on office and residential opportunities.

Portfolio value

10%

Read more on page 29

Market overview

With its 60 year heritage, TCS has a long history of delivering returns over the longer term. We achieve this by responding to market trends to build opportunities for the future, while at the same time managing challenges to the business effectively and in the interests of our broader stakeholders.

Here we identify the key developments which we expect to impact our business now and in the future and set out how we are responding.

COVID-19

The COVID-19 pandemic has had a significant impact on our business, our tenants and the UK economy with shops, restaurants, offices and car parks closed for several months in the first half of 2020. Social distancing measures and other restrictions are expected to remain in place for some time to come, changing the way that retail and leisure space is both accessed and used by customers.

How we are responding

COVID-19 has had a material impact on our car parking division in the short term as people have stayed at home and not used their cars. We have minimised our expenditure during this period by closing car parks and furloughing staff. However, as the economy opens up, we expect our operations to pick up relatively rapidly and see a short-term opportunity as consumers move away from public transport in response to social distancing measures implemented by transport company's and concerns for their own wellbeing.

Our property division has not been as significantly impacted in FY2020, as the vast majority of tenants pay quarterly rent in advance, meaning approximately 87% of rent due has been paid or a deferred payment agreed until the end of June. However, we expect to see a longer-term impact as tenants face challenges with cash flow and the ability to pay their rent in a timely manner.

Long-term relationships with our tenants and active asset management are key parts of our business model and we are working together to negotiate solutions to help our tenants manage their cash flow, including offering rent-free periods or deferred payments. Our long-term and flexible approach will enable us to navigate the current challenging environment and we are confident in our ability to help generate future economic growth in the regions in which we operate.

Changing consumer shopping habits

Changes in consumer spending habits due to the rise in online shopping are challenging the retail sector's traditional business model of operating large stores on the high street and in shopping centres. While town and city centres began to address falling footfall by evolving their offering to provide more food and beverage outlets, other experiences and boost their night time economy, physical retail sales have continued to fall steadily, leading to shop closures and job losses. The COVID-19 pandemic has only served to accelerate this trend.

How we are responding

In line with our strategy, we are continuing to diversify our portfolio to reduce our retail exposure; retail and leisure now accounts for less than 47% of our portfolio value, down from 70% in 2016. We are looking to recycle some of the receipts to accelerate our diversification strategy going forward through acquisitions and by developing our landbank to deliver schemes such as our consented PRS development, Eider House in Piccadilly Basin, Manchester and also taking the opportunity to re-purpose assets where there is a strong commercial case to do so.

We have accelerated our retail and leisure disposal programme, and agreed over £40m of sales in September 2020. This will lower the proportion of retail and leisure to close to 40%.

UK economic growth

Over the past few years, political attention has focused on rebalancing the UK economy. While there is great uncertainty around the short-term outlook, in the longer term we expect government initiatives and investment in long-term infrastructure projects to lead to greater economic growth outside the South East and the strengthening of major cities in the North West and North East, in particular Leeds and Manchester.

How we are responding

79% of our assets are located in Leeds and Manchester, including most of our landbank and we also have a long-standing presence in Scotland, where we see continue to see opportunities, particularly in Glasgow. Leeds is already attracting significant investment with economic growth of 8.3% forecast over the next five years. Manchester is the leading professional and business service centre outside of London and Greater Manchester's economy is forecast to grow at a rate of 14% over the next five years. Local market knowledge of the regions in which we operate combined with our flexible business model and long-term development portfolio of over £600m mean we are well-positioned to take advantage of investment in these areas by developing high-quality assets on a case-by-case basis when opportunities arise.

Flexible working and office space

Companies have successfully transitioned to remote working as a result of COVID-19, and many will adopt a more balanced approach going forward, nevertheless we expect to see continued demand for high-quality office space which can also provide flexibility of use. We also believe that businesses will be seeking more of a blend of fixed and flexible and short-term office space, to enable them to work in a more efficient and agile way. Now, more than ever, business agility is crucial to companies' chances of survival and a return to sustained growth.

How we are responding

Office space currently accounts for 20% of our portfolio and our development pipeline comprises predominantly office and residential assets. Our portfolio consists of high-quality office spaces in city centres. The majority of these, including 123 Albion Street and Ducie House, are multi-tenanted and we redevelop and upgrade these offices to provide flexible and functional space. At Ducie House tenants can take advantage of a variety of lease structures and our active asset management means that occupancy can be flexed to meet the requirements of companies as they grow. Our flexible approach means that we are hands on with our tenants and have built strong relationships with many entrepreneurial businesses, working with them through the cycle.

Environmentally friendly and sustainable solutions

Consumers are increasingly focused on the environmental impact of their activities and are looking for environmentally friendly and sustainable options. In the property sector, this includes minimising the environmental impact of buildings and developing sustainable and energy efficient solutions, as well as considering the health and wellbeing of tenants. From outside space to the increased provision of cycle racks and the introduction of shower facilities, changing rooms and lockers as part of our office developments to providing EV charging points across our car parks and in new developments as the number of electric vehicles in use by commuters grows rapidly, we are flexing our products to best meet the demands of consumers and make our buildings a great place to work, spend leisure time and shop.

How we are responding

Across our buildings we integrate high standards of environmental design and target the latest standards including BREEAM Excellent and the WELL Building Standard in our new developments. We have also built three of our own solar photovoltaic farms in Leeds and Manchester, which generated over 200,000 kwh of energy in FY2020, and continue to look at innovative ways to further reduce our environmental impact.

In our car parking division, we are investing significantly in solutions for electric vehicles, including installing EV charging in all our car parks, expanding our EV supply and introducing rapid chargers at the Merlion Centre in Leeds to help future-proof the business.

Impact on Earnings of COVID-19



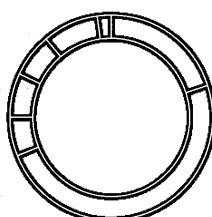
Business model

We have a strong record of creating long-term value through income and capital growth.

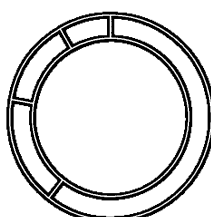
What sets us apart – Investment case

Strong regional portfolio with a multi-sector approach
Our diversified portfolio spans a wide range of sectors across key locations.

Portfolio value by sector



Portfolio value by location



Development pipeline of over £600m of high-quality assets
Our pipeline presents significant long-term growth opportunities.

Established relationships with diverse, high-quality tenants
Our tenants include household names such as Morrisons, Iceland and Greggs as well as small and growing companies.

A resilient and robust business with 60 years' heritage
We take a long-term view, underpinned by family ownership.

Mix of short and long-term financing
Our business is underpinned by secure funding. We leverage our portfolio to provide innovative and secure funding.

Experienced team with in-depth knowledge of the communities where we operate
Contributing to local communities is at the heart of our culture.

What we do

Actively manage assets to optimise income and capital growth

- Refurbish and upgrade
- Renew leases
- Reduce voids

Maximise available capital by divesting ex-growth assets and refinancing to lower LTV

Invest in our development pipeline, continuing to unlock existing opportunities and create new ones

Acquire investment assets to diversify portfolio across sectors, with a focus on Leeds and Manchester

Create a long-term quality portfolio, primarily in Leeds and Manchester

How we generate value for our key stakeholders

For investors

We provide reliable returns and long-term capital growth.

For tenants

We create spaces that help support small, growing businesses and meet their changing needs.

For employees

We are committed to providing a safe and secure working environment with opportunities for career progression.

For communities

We strive to make a positive contribution through development that helps communities to thrive and by supporting local initiatives and charities.

Chairman & Chief Executive's statement

Many financial years have ups and downs, but few have seen such contrasting periods as this one. Though we have sought to iron out the peaks and troughs of the property market for many years, the COVID-19 crisis has presented entirely new challenges for the business and for our stakeholders.

The final third of FY20 has been a very challenging time, but I believe that when the going gets tough, the true strengths of a business emerge.

We have long prided ourselves on being a conservatively managed business with a focus on long-term, sustainable performance, and a number of strategic moves we have made in recent years have protected us from the worst impacts of COVID-19.

As well as demonstrating the soundness of our strategic direction, I have been very pleased with the ability of the business to adapt in challenging circumstances and impressed by the flexibility and resilience our tenants and employees have demonstrated. The contribution of every single member of the TCS team has been exemplary, and I would like to extend my personal thanks to all.

“I have been very pleased with the ability of the business to adapt in such circumstances and by the flexibility and resilience of our tenants and employees.
”

Performance

It should not be overlooked that we had a strong first two thirds of the year, with good numbers and progress made against our strategic initiatives.

We progressed with redevelopment projects at Ducie House and 123 Albion Street. We also launched Burlington House, our first private rented sector (PRS) development and initial take up was strong. In recognition of the success of that scheme, we were named Apartment Developer of the Year at the North West Residential Property Awards, an excellent achievement and testament to the high standard of the work. We also won two new car park management contracts, including the Manchester Arena car park, building on our successful partnership with John Lewis in Cheltenham.

However, COVID-19 has understandably impacted our financial performance. This is the first year that our financial statements are presented in accordance with IFRS 16, which affects how we account for leases and is further discussed in the financial review. Excluding the effect of IFRS 16, adjusted EPRA earnings were down £3.7m on the prior year to £2.5m. We report a statutory loss for the year, on an IFRS 16 basis, of £24.2m, down £11.7m year on year, largely due to the negative impact the crisis has had on the value of our

portfolio, which is down 6.9% year on year, with net asset value also down £32.8m or 17.4% to £155.5m.

These are clearly disappointing numbers, but with earnings impacted by £3.6m due to COVID-19, and our valuation results significantly better than other companies with less resilient retail portfolios; we are reassured by the resilience of our portfolio and our full compliance with all covenants. With our decision to accelerate asset sales and with significant progress already made post 30 June 2020, I firmly see this as an inflection point from which we can successfully move forwards.

COVID-19 response

From the onset of the crisis in March, we have ensured informed decision-making and close control through weekly Board meetings and separate weekly meetings for myself and our Non-Executive Directors.

Alongside protecting the health and wellbeing of our staff and stakeholders, our main priority has been cash flow management. We have always paid close and careful attention to cash flow and borrowing headroom, and we immediately did everything we could to minimise costs and preserve cash. All non-essential spending was stopped; we closed over half of our car parks; we accessed a number of the Government's support schemes

including deferrals of VAT and other taxes and the furlough scheme. Additionally, all Board members agreed to reduce their salary by 20% for six months.

Out of our control has been the significant impact on some segments of our property portfolio, specifically the retail and leisure sector and our car park businesses. Our financial results for the year ending 30 June 2020 have been impacted by COVID-19 by an estimated £3.6m loss to earnings; include providing for £1.7m of rental income and service charge not received in the period, a net reduction to our CitiPark business of £2.0m, and a £0.4m impact to our ibis Styles hotel.

However, the unique nature of our property portfolio as it stands today has given us stability. The significant reduction in our exposure to high street retail, that we have worked towards over the past five to ten years, has proved invaluable during this period, and the crisis has led us to accelerate our strategy of diversifying away from retail and leisure in the portfolio.

The biggest threat to the business lies in the risk of continued reductions in property values, which could threaten banking covenants and future borrowing headroom. We were pleased, however, to have extended our NatWest facility by a further year without additional cost.

Proportion of retail and leisure

47%



[Read more on pages 12-13](#)

Asset sales

£42.5m



[Read more on page 18](#)

Net asset value per share

292p



[Read more on page 47](#)

Dr. Edward Ziff OBE DL
Chairman & Chief Executive

* 2021 (post September 2020 sales)

Chairman & Chief Executive's statement

continued

Total headroom at 30 June 2020 stood at £14.8m.

Despite the crisis, we have decided to press ahead with key refurbishments at 123 Albion Street and Ducie House. These are high-quality opportunities and we expect demand for office space will return as the guidance on working from home eases. Our development pipeline is full of similarly exciting opportunities and we envision moving forwards with the next phase of residential property development at Elder House in Manchester when it is prudent to do so.

Our stakeholders

We approached the crisis with consideration for our key stakeholder groups and the potential long-term impacts our decisions may have on them lie at the heart of our thinking.

We have always sought to work closely with our tenants, building trusting partnerships. Such long-term relationships have been key during this period, allowing us to understand the changing needs of tenants and share their pain where we can. We worked closely with many tenants to agree payment plans during the peak of the crisis and are now helping to ensure the safe and successful reopening of their businesses.

Most tenants have acted responsibly and in good faith in difficult circumstances, however, it has been frustrating that some, such as Boots, have not been so considerate and have taken advantage of legislation put in place for companies who wouldn't otherwise be able to afford their rent. We were also extremely disappointed with JD Sports in relation to the administration of its subsidiary Go Outdoors, a tenant at our Piccadilly Basin site. For a large, profitable and valuable company, their unwillingness to stand by leases they had only recently acquired is unacceptable and reflects very poorly on their senior management. Knowing they were impacted by COVID-19, we made proposals to share the impact. However, with their chosen approach landlords have had to take all the rental pain. We presume they haven't treated their trade suppliers in the same manner, otherwise they would have put their

supply chain in jeopardy. There is a presumption in insolvency situations that all creditors should be treated equally. We hope that in light of this the Government will seek to implement legislation to prevent profitable companies acting in this way in the future. We have been able to support our tenants in part thanks to our strong relationships with our banks and debenture holders.

The importance of good stakeholder engagement with our funders has been demonstrated again during this crisis.

I have been particularly proud of the response from our colleagues. The vast majority of our staff transitioned to working from home, and in doing so demonstrated great flexibility and resolve. We chose to furlough 53 staff, predominantly CitPark branch employees, and I would like to thank those colleagues for their patience and understanding. Making use of the furlough scheme was a necessary step, but I am pleased that during a difficult time for all, we were able to continue to pay all staff 100% of their salaries. We expect a lot from our staff, however we hope we have demonstrated that we are always there to support them when they need it.

I would also like to take this opportunity to thank Lynda Shillaw, who has now left the business as Group Property Director. As a long-standing friend of TCS we wish her and her family well and wish her well in her future. Following Lynda's departure, we have promoted Helen Green to the role of Property Director, and appointed Craig Burrow, previously Director of Leeds at Bruntwood, as Development Director. Both will report to me and as a result of these changes we will not be appointing a Group Property Director.

In line with our long history of being a local business with strong ties to our communities, we were proud to be able to offer free car parking and concessionary hotel accommodation to hardworking NHS staff. We also championed many other initiatives set up by our tenants to support key workers, the elderly and the most vulnerable in the community during the pandemic.

Finally, for our shareholders, we are very disappointed to break a 60-year track record of delivering a maintained or increased dividend. The unpredictable nature of the COVID-19 crisis has made the decision to reduce the final dividend payment for the year unavoidable. We are pleased that we are able to pay a 1.75p final dividend, totalling 5.00p for the full year. However, we recognise that this represents a significant reduction for shareholders.

Outlook

I am extremely grateful to my colleagues and staff, who have done an excellent job in difficult circumstances. With most of our portfolio open and trading again, and staff returning to the office, the business is recovering. It is now time for us to return to business as usual. Our conservative and flexible approach has allowed for our continued operation despite the disruption; however looking forwards, we face an unprecedented level of uncertainty.

The acceleration of our disposal programme, though essential for generating cash, reducing risk and strengthening our foundations, will have an effect on earnings and our dividend levels in the coming years. That said, some of the cash generated from sales will be available to reinvest where it's needed most, and we will do all we can to see a return to previous levels as soon as possible.

There are many reasons to be positive though. Our portfolio is unique and diversified, and our development pipeline continues to be a key differentiator for us. We are not currently committed to any single project but have £600m of development opportunities in the pipeline, with flexibility over when and how these can be delivered.

Overall, I have been very satisfied with our response to an unprecedented situation. Despite the ongoing challenges of COVID-19, I am certain that we remain an excellent long-term investment proposition.

Dr. Edward Ziff OBE DL
Chairman & Chief Executive

“
Peter Warrington, TCS's third employee and its Finance Director from 1963-1993, sadly passed away in June 2020.

I owe Peter, and another former director, David Whitehead, an enormous debt of gratitude, in particular for mentoring me in my early days in the business. Much of my knowledge and experience was influenced for the better by Peter's involvement. Peter became not only a trusted and valued colleague at TCS, and advisor to the Ziff family, but was a close personal friend who is sorely missed.

I would like to personally acknowledge his huge contribution to TCS over the course of 30 years, many of our shareholders will have known Peter well. All of us at TCS would like to offer our condolences to his wife Barbara, his sons Philip and David and his daughter Jane.

Strategy and KPIs

We have clear plans to continue to diversify our portfolio to generate income and capital growth for the long term.

What we do	1. Actively manage assets to optimise income and capital growth	2. Maximise available capital by divesting ex-growth assets and refinancing to lower LTV	What we do	3. Invest in our development pipeline, continuing to unlock existing opportunities and create new ones	4. Acquire investment assets to diversify the portfolio across sectors, with a focus on Leeds and Manchester
Progress	<ul style="list-style-type: none"> Refurbishment of Carvers Warehouse, Manchester common parts completed, improving quality of office space for all tenants and helping to strengthen rental values Major refurbishment of the office space at 123 Albion Street, Leeds due to be completed in the summer of 2020. Creating high-quality modern and flexible office space at a premium to previous levels Major refurbishment of Duple House, Manchester due to be completed in the autumn of 2020. Comprising a significant overhaul of the common parts and changing the office layouts to maximise demand and return 	<ul style="list-style-type: none"> We sold two small properties in Edinburgh during the year for £2.5m, 37% ahead of June 2019 valuation In July 2020 we completed on the disposal of our retail property in Chiswick, London for £1.4m, 77% ahead of June 2019 valuation We extended our NatWest RCF facility by a year to April 2022, maintaining terms and margins We exchanged contracts on a further £40.2m of retail and leisure sales in September 2020, lowering LTV and proportion of retail & leisure 	Progress	<ul style="list-style-type: none"> Development plans on hold during COVID-19 crisis, but reviewing timing for new PRS development in Manchester (Elder House) Our first PRS development, Burlington House in Manchester, completed in July 2019 was awarded Apartment Developer of the Year at the North West Residential Property Awards We are in the process of reviewing the development framework at Whitehall Road in Leeds with the aim of increasing long-term value 	<ul style="list-style-type: none"> Second half of a retail and residential building in Kilburn, London acquired for £1.7m The proportion of our portfolio accounted for by retail and leisure has fallen to 47% of value (of which the Marion Centre accounts for 23%), from 70% in 2016 We took over the management of the Manchester Arena Car Park in 2020, rebranding to City Park, thereby extending our brand presence and income and profit without the need for capital investment, adding to our Shipley and John Lewis Cheltenham operations
KPIs	CAPEX £6.0m Post investment yield targeted at greater than 8.5%	Loan to value 53.2% <small>(FY19: 48.4%)</small> 47.9% following September sales Headroom £14.8m Generated from asset sales in the year £2.5m	KPIs	Development pipeline remains in place £600m	Retail and leisure 47% <small>(FY19: 50%)</small> 41% following September sales Reversionary yield 7.0% <small>(FY19: 6.5%)</small> Car parks now under management 3
Priorities	<ul style="list-style-type: none"> Future opportunities identified at Vicar Lane, Leeds and Wade House in the Marion Centre Further opportunities exist for the ground floor leisure units at 123 Albion Street, Leeds 	<ul style="list-style-type: none"> We will continue to review our portfolio, and have agreed to accelerate the strategy of selling retail assets Optimising our capital structure to reduce gearing and absolute borrowing levels is an ongoing focus 	Priorities	<ul style="list-style-type: none"> We continue to review the sequence of our development pipeline, particularly in the light of the recent COVID-19 crisis. The most likely next development will be Elder House PRS We are in the process of reviewing residential development opportunities in some of our car parks in order to add to the future development pipeline 	<ul style="list-style-type: none"> We continually review opportunities to acquire new investment assets across all sectors, and in particular in Leeds and Manchester Sites with asset management and/or development opportunities are a particular focus

Actively managing assets

Strategy in action

1

Ducie House

We acquired Ducie House in 2018, further extending our ownership in Piccadilly Basin, Manchester.

Ducie House is a 33,000 sq ft flexible office conversion, originally a petticoat factory. The property is a multi-tenanted office, occupied predominantly by technology and creative industry companies. The variety of product provides a wide choice for tenants with spaces of up to circa 4,000 sq ft, as well as the flexibility for businesses to expand within the building as they grow.

TCS bought the site for £9.0m as a strategic acquisition with four key asset management considerations:

- To eliminate the potential rights of light claim (valued at £1.5–£2m) on our Eider House development the value of which has been removed from the ongoing valuation.
- To increase land holdings around Piccadilly Basin and to increase the non-retail element of our portfolio.
- The opportunity for a new development on the 63-space car park at the rear of the building.
- The opportunity to update and refurbish the building to further increase appeal and increase rental income.

The acquisition solved the right of light issue and we now have planning permission for Eider House and are determining appropriate timing. Our proportion of retail and leisure assets continues to reduce, and plans for a 60,000 sq ft interlinking office with an end value of over £21m and £1.3m of income are being developed.

We are now underway with a £2m refurbishment of this unique office building with key aspects of the work including essential fabric and M&E repairs post acquisition. We adopted a strategy of restructuring the building's

configuration to provide two additional meeting rooms, shower facilities and break-out space. We have also refurbished the common parts on the upper floors to provide further amenity space including break-out booths with balcony space and improved toilet/kitchen facilities. We have restructured the space within the building to provide larger office space to accommodate greater requirements and facilitate organic growth within the building.

Critical to the decision to proceed with this investment was the benefits derived for all stakeholders, including:

Investors:

- Increasing net income by circa £0.3m per annum.
- Delivering a post investment return in excess of 8.5%.

Tenants:

- Providing improved common space with high-quality entrance and reception, improved lifts, heating and air-conditioning.
- Increasing the availability of some larger office spaces giving more flexibility to tenants as they grow their businesses.

Employees:

- Creating a better quality working environment for our on-site staff.

Communities:

- Improving the overall tone and feel of Piccadilly Basin as a whole for all visitors.

As the COVID-19 disruption hit we had already started this redevelopment but made the conscious decision to halt works and preserve cash during the height of the uncertainty. We have now restarted the works and expect to be completed by Autumn 2020.

In order to facilitate the safe working of the contractors and to provide our tenants with a much needed break in rental commitments we have agreed that 21 tenants would vacate the property for four months, rent-free, allowing for completion of the refurbishment. This did increase the effective cost to TCS by £80k, but the ability to support our tenants and proceed with the development outweighed this additional cost.

At the June 2020 valuation Ducie House has been valued at £7.95m, and it is expected to increase by a further c. £1.0m following completion of the development, with the opportunity to improve further as we move rental incomes forward.

Ducie House – estimated value

£7.95m

Maximising available capital

Strategy in action

2

Manchester Arena Car Park

Our CitiPark car parking business has long been an important part of TCS and provides a significant profit contribution.

We see the CitiPark business as a growth opportunity leveraging our operational and technological areas of expertise. A key part of this growth strategy is car park management, a business line that allows the business to generate good profitability without capital commitments – a key element of the wider business strategy.

On 1st April 2020 we took over the management services of the Manchester Arena car park, a 978 space MSCP in the heart of Manchester. Despite the obvious challenges presented at this time, we successfully navigated the handover from the predecessor and oversaw the installation of a new skidata parking management system.

Welcoming 1.2 million customers every year, Manchester Arena is one of the busiest venues in the world and the largest indoor Arena in Europe. Hosting some of the biggest names in music, boxing and comedy, the Manchester Arena car park puts you right at the heart of the action. As well as providing parking for arena visitors, this car park is also ideally located for the National Football Museum, Coin Exchange and the iconic Arndale shopping centre.

Working with the owners of the arena car park we have agreed an initial two-year fixed term contract with the option to extend. The opportunity presented by management agreements means there is no capital outlay by CitiPark whilst still producing a fixed management fee per annum. In addition to this, our agreement also allows us to earn a profit share percentage should the car park achieve pre-agreed targets.

Annual Arena Customers

1.2m

Investing in development pipeline

Strategy in action

3

Burlington House

Burlington House is our first dedicated Private Rented Sector (PRS) property.

Located in our Piccadilly Basin development site in Manchester, the 91-unit SimpsonHaugh designed property achieved practical completion in the late summer of 2019 and had fully let by September 2019.

Burlington House was a strategic next phase in realising our significant development pipeline which stands at over £600m (see page 29). TCS's strategy is to unlock each element of the pipeline separately, determining the best moment to fund and to develop. This investment represents the Company's first pure PRS development and further diversified the portfolio, and opens the way to a larger PRS offering from further development land we own in Piccadilly Basin.

The investment was undertaken in a 50/50 joint venture with Highgrove Group, with c. 60% development finance initially provided by the Greater Manchester Housing Fund, thereby minimising the capital required by TCS to unlock the scheme. Since completion the joint venture has repaid the fund and entered into a nine-year fixed rate facility with PRS Finance PLC as part of the government's Private Rented Sector Housing Guarantee Scheme, borrowing £13.8m at a fixed rate of 3.02%. This refinancing provides long-term certainty at an attractive rate of interest.

Burlington House, was awarded 'Apartment Development of the Year' (fewer than 100 homes) at the prestigious Insider North West Residential Property Awards 2019. The judges recognised that the development has served as one of the catalysts for further regeneration and development across Piccadilly Basin with the unique building being fully let within just three months of launch. TCS has also worked closely with CityCo, the Manchester city centre management company, along with the Mayor's office and the local police to improve security and safety in the Basin. Furthermore TCS has commissioned a street art project to further enhance and improve the area.

Development pipeline

£600m

Acquiring investment assets

Strategy in action

4

123 Albion Street

We originally purchased 123 Albion Street (previously named The Cube) from Aviva in 2018 for £12m at a yield of over 12.5%. The building comprises 22,000 sq ft of leisure space on the ground floor, with 50,000 sq ft of office space over three floors.

It is located in central Leeds in close proximity to the Merriem Estate. This was a strategic purchase, as the two office tenants had served notice to end their leases in 2019. TCS always planned to further invest in the office at the point of exit of the tenants.

The acquisition of 123 Albion Street is a prime example of our investment strategy, where we seek to acquire assets that are being sold at an effective discount due to factors that the previous owner was not equipped to deal with, in this case terminating leases.

We use our local knowledge, active asset management expertise and willingness to get into the detail to deliver significant improvements in value and/or income. This is a key aspect of our business model cycle.

In the case of 123 Albion Street 10,000 sq ft of office space has since been re-let to the existing tenant, the Secretary of State. In addition the other tenant has now vacated, paying a £0.5m dilapidations settlement which is reflected in the year end earnings, helping to mitigate lost rental income.

We are now underway with a net £4m refurbishment of the office space in this building. Critical to the decision to proceed with this investment was the benefits derived for all stakeholders, including:

Investors:

- This £4m investment upgrading the office space is expected to deliver a post investment running yield in excess of 8.5%.
- Rental income will be impacted by £1.2m on a full year basis whilst the space is being redeveloped but in the current year the dilapidations payment helped to mitigate this.
- This investment helps to increase the proportion on non-retail property within our portfolio.

Tenants:

- Providing high-quality flexible office space, at a discount to prime offices, in the heart of a busy part of the city centre.
- Providing facilities for cycle storage and shower facilities.

Communities:

- The development improves and strengthens the business and retail and leisure community in the northern part of the city centre, and will drive footfall to the local businesses.
- The refurbishment work includes some notable environmental benefits which are detailed in our ESG section on page 39.

At the June 2020 valuation 123 Albion Street has been valued at £14.6m, and it is expected to increase further following completion of the development, with the opportunity to improve further as we let the newly refurbished space.

Post investment running yield

+8.5%

Portfolio review

Valuation summary

For the year to the 30th June 2020 the total portfolio, including development and car parking assets, sales and purchases, declined in value from £394.2m to £372.5m after a net movement of £5.1m of capex, sales and purchases. This represents a decline of 6.9% year on year.

TCS saw the like for like value of its portfolio also fall by 6.9% (£26.6m) after capex of £6.0m. TCS's retail assets bore the brunt of the valuation reductions (£23.0m being 11.8%), reflecting the major shift in both investor sentiment and retail trading conditions. As reported at the half-year TCS experienced only a 1.1% like for like decline in valuation in the first half of the year, and therefore the remaining 5.8% fall has occurred in the second half of the year, with the backdrop of the COVID-19 crisis.

Our development assets increased in value slightly by 2.6%, and our car parks increased by 1.3% where a bounce back in customers is being seen as the lockdown eases and long-term alternative uses are identified and progressed. In the year, we sold two assets in Shandwick Place, Edinburgh for £2.5m (3.7% above valuation) and acquired 106b Kilburn High Road, London for £1.7m including costs.

Our main and most complex asset, the Merriam Estate saw a 6.1% decline (after capex) in value year on year from £156.9m to £148.0m. More than a shopping centre, from initial inception, a true mixed-use asset, this comprises offices including our share of Merriam House, retail space, a hotel and a multi-storey car park.

The initial yield across the whole Merriam Estate of 6.8% signifies a robust performance against others in the sector where retail assets, particularly shopping centres have fallen by in excess of 20% in value.

The valuation of all of our properties except one are carried out by CBRE and Jones Lang LaSalle. As a result of the COVID-19 crisis both companies have reported that valuations on the majority of our properties are subject to a 'material valuation uncertainty' clause as set out in the RICS Valuation Global Standards.

Sales and purchases

It had been a relatively quiet year to the 30 June 2020 for sales and purchases. However, as described earlier the COVID-19 crisis has prompted the Board to decide to accelerate the retail and leisure disposal programme. In September 2020 we agreed sales of a further six properties for a combined sum of £40.2m. The sales comprised two Waitrose stores and an Aldi/HomeBargains in Scotland and three high street retail stores in Wood Green and Chiswick in London.

Our continued commitment to asset recycling is clear. The below table details the £89.1m of disposals since FY17 of which 95% were retail and leisure assets. Acquisitions of £30.6m included only 24% retail and leisure.

	Sales		Purchases	
FY17	22.3	88%	4.0	46%
FY18	10.1	95%	9.0	0%
FY19	14.0	100%	16.0	25%
FY20	2.5	100%	1.7	100%
FY21 to date	40.2	100%		
	89.1	95%	30.6	24%

As described earlier the COVID-19 crisis has prompted the Board to decide to accelerate the retail and leisure disposal programme.

¹ CBRE UK Retail Market Snapshot Q3 2020

² Savills UK Regional Office Investment and Marketwatch 25th June 2020

³ Savills UK Regional Office Investment Marketwatch 25th June 2020

Retail and leisure

The UK retail market has had a tough time over the last 18 months. Structural shifts in consumer behaviour and the shift to multichannel retailing have been accelerated by the impact of COVID-19.

With high streets closed for nearly three months to all but non-essential retailers and office workers staying away from the office, the easing of lockdown more recently has supported footfall improvements. However, despite considerable weekly growth, high street destinations over the summer remain at nearly 50% below 2019 levels with shopping centres slightly ahead of these levels at the half year. Local regional high streets appear to be responsible for driving the recovery of footfall as office workers remain working from home and the feed through to larger urban centres is much slower.

Retail parks have remained more resilient over the entire period, benefiting from schemes anchored by essential retailers, the earlier reopening of homeware retailers as well as being more accessible by car and consisting of more spacious stores, allowing for greater social distancing.

Through a landlord's lens, pressure on valuations, LTVs, rents and leasing models are all being experienced. Despite Government moratoria, codes of conduct, rates relief and other available assistance, some retailers who can afford to rent have chosen not to do so. In addition to a flurry of administrations and CVAs, most tenants are seeking concessions on their leases.

Lockdown continued to hit the retail market in Q2, with yields increasing across all asset classes. Prime UK high street yields moved from 5.25% in March 2020, to 6.25% in June 2020 and prime shopping centre yields are now at 6.5%, up from 5.85% in March. Good secondary high street yields for Q2 were up from Q1 to 8.50% and secondary high street yields in Q2 were up from Q1 to 12.0%.

From a TCS perspective, total retail and leisure assets fell by £23m or 11.8%. Merriam ex offices delivered an Initial Yield of 7.7% reflecting the skew in tenant mix to supermarket and value retailers. Merriam's value fell by £7.3m or 7.9%. TCS's out of town retail had an initial yield of 6.3% reflecting assets in well placed suburbs and again, a tenant mix of food and value retailers, with value falling £4.0m or 9.5%. Other retail and leisure assets fell by £11.7m or 19.2%, with these more traditional standalone retail units being most significantly impacted.

Our hotels, while open for key workers, were impacted by COVID-19, seeing values fall £2.7m or 10.5%. While yields have only softened slightly to the 30th June, and the hospitality sector is now slowly starting to recover as lockdown eases, the speed of the recovery of the sector will depend on how quickly both tourists and businesses come back into city centres at something approaching pre-COVID-19 levels.

Regional offices

Office investment volumes reached £1.3 billion outside of central London in Q1 2020, which was a 24% increase in volumes recorded in Q1 2019, although 15% below the long-term average. 43% of office investment in the UK was outside of central London in Q1 2020. The regional office markets have been quiet since COVID-19. Not many prime assets are trading with a general lack of any new stock coming to market. Investors are set to gauge general sentiment when occupiers return to buildings and restrictions are eased. Yields for prime offices in regional cities held at 4.75% to June 2020.

Every core regional city market has below two years of Grade A supply. The development pipeline is limited and will not alleviate the supply constraints that are present in the market. There is currently 4.48 million sq ft under construction and 56% of this total space in the regional city office market has been pre-let. Nine of the regional office markets have a vacancy rate below 10% which Savills classify as undersupplied. The total

vacancy rate across the core regional office markets combined is 7.1% which compares favourably to the long-term average of 10%. Savills has produced vacancy rate forecasts which underline the robust nature of the market.³

Our office portfolio dropped £2.3m or 2.9% over the year, the majority of which was due to a reduction in the value of 123 Albion Street as leases fell away, tenants vacated, and we were able to refurbish. We expect this to recover. The value of TCS' share in Merriam House was unchanged at £34.7m, at an initial yield of 4.49%. Ducie House and 123 Albion Street are currently undergoing major refurbishments and we expect to see a corresponding uptick in value post completion.

FY20 Capex investment

£6.0m

Portfolio review

continued

Residential

Given the current operating environment and little transactional evidence in Q2, CBRE opted to maintain their benchmark yields at the current level. However, since lockdown restrictions were eased, there are early signs that deals are progressing at pre-lockdown levels, with no significant pricing impact. Prime net yields continue to range from 3.25% to 4.25%. Prime regional centres are now trending stable, but yields may begin to weaken in more secondary locations.

Although there was little activity in Q2, investment into the UK multifamily sector looks poised to make a significant rebound in the second half of 2020. There is a substantial investment pipeline with just over £1.4bn worth of deals currently under offer. This is broadly equivalent to the investment pipeline at the end of 2019, which then translated into £1bn of investment in Q1 2020. Although it's not a certainty all of this will transact, it nonetheless demonstrates the continued strong appetite for the UK multifamily sector. Currently half of the investment pipeline is spread across the prime regional centres.

Approximately two-thirds of the investment pipeline are forward funding agreements, with a further 20% accounted for by direct site acquisitions. The lockdown period has also served to demonstrate the relative resilience of the multifamily sector, which has boosted investor appetite. Specifically, multifamily rent collections have been resilient and remained high, averaging 96% in May. This compares with 90% (offices) 82% (logistics) and 63% (retail). Although we may see modest rent falls in 2020, we expect the sector to return to growth in 2021 and outperform. CBRE is currently forecasting total returns of 5% per annum for multifamily over the next five years. This compares with 3% and 2% per annum, for offices and retail respectively. Overall, demand for UK multifamily remains strong. Sentiment is positive and we are seeing early signs of an increasing level of activity as the lockdown restrictions continue to ease.

TCS's residential assets are concentrated in the city centres of Leeds, Manchester, suburban London and Glasgow. Overall, we saw a slight decline in the value of our residential portfolio year on year of -1.3%. This was largely driven by a short-term softening of rents in the Manchester market, reflecting both the impact of COVID-19 and the volume of stock coming into the market in 2021. Rents are expected to return to a 3% per annum growth rate from 2022. Appetite for high-quality, centrally located residential sites in Manchester from both tenants and investors remains strong. Our Piccadilly Basin site remains one of the most centrally located and accessible sites in the city and as such we expect it to outperform the market in the long term.

Residential

6%

Portfolio overview:

	Passing rent £m	ERV £m	Value £m	% of portfolio	Valuation Incr/(decr)	Initial yield	Reversionary yield
Retail & leisure	3.6	4.1	51.1	14%	-19.2%	6.6%	7.5%
Merion Centre (ex offices)	7.0	7.4	85.7	23%	-7.9%	7.7%	8.1%
Offices	3.8	6.2	82.5	22%	-2.9%	4.4%	7.1%
Hotels	1.2	1.6	23.1	6%	-10.5%	4.8%	6.7%
Out of town retail	2.5	2.5	38.0	10%	-9.5%	6.3%	6.2%
Distribution	0.4	0.4	6.0	2%	-2.1%	6.5%	6.7%
Residential	1.1	0.6	21.5	6%	-1.3%	5.0%	2.8%
	19.7	22.8	307.9	83%	-8.6%	6.0%	7.0%
Development property	1.6	1.6	37.8	10%	2.6%		
Other car parks	0.9	0.9	26.9	7%	1.3%		
Let portfolio	22.2	25.3	372.5	100%	-6.9%		

Note: Includes Merion House within offices and Burlington House within residential, and therefore differs from the notes in the accounts. Note: excludes IFRS 16 adjustments to car park valuations.

Location	Value	%
Leeds	226.5	61%
Manchester	66.8	18%
Scotland	47.9	13%
London	30.2	8%
Other	1.2	0%
	372.5	100%

Sector	Value	%
Retail/leisure	174.8	47%
Hotels	23.1	6%
Office	82.5	22%
Car parking	26.9	7%
Distribution	6.0	2%
Residential	21.5	6%
Development	37.8	10%
	372.5	100%

Lease Expiries	Value	%
Retail/leisure	9.5	48%
Retail/leisure	4.0	20%
Retail/leisure	6.2	31%
	19.7	100%

Note: As at 30 June 2020

Divisional review

Property

Overview

This has been a year of two parts for the business. In the first two thirds of the year, we delivered robust operational performance and made good progress against our strategic initiatives.

We continued to actively manage our assets, investing in refurbishment projects including Ducie House in Manchester and 123 Albion Street (formerly known as The Cube) in Leeds, both of which offer high-quality office space.

We also signed a number of deals with new tenants from a diverse range of sectors, including supermarkets and food and drink outlets, and further expanded our Asian food offering at the Meriton Centre. In addition, we successfully renewed leases with a number of existing tenants in both our retail and office portfolios, including Whittards, OKA, Cotswold, PCSU and K7.

We completed and launched our first PRS product in Manchester, Burlington House. This 91 apartment SimpsonHaugh designed building has been a real success as well as a new iconic piece of architecture in the city. Along with our JV partner GML, we were delighted to be awarded Apartment Developer of the Year at the North West Residential Property Awards.

In the final third of the year, we have clearly been significantly impacted by the disruption caused by COVID-19. This period tested our colleagues, our relationships with our customers and suppliers, and our operational capabilities in the most extreme way imaginable. So far, our performance has proved to be very reassuring, with income collection at 82%, significantly ahead of the majority of our peer group. Overall, the strategy to diversify the portfolio in recent years is proving to be a resilient and sustainable one. We have had to provide for non-payment of £1.2m of rental income.

Impact of COVID-19

Since February, COVID-19 has had a very significant impact on our business. Our focus during this time has been on maximising our capital and managing our cash flow while supporting our tenants and employees and ensuring they can continue to work safely.

While the housing and industrial markets have remained more resilient, the need to work remotely has led to a slowdown in tenants looking for new office space. The retail and leisure sector has been significantly impacted by COVID-19 and just under two thirds of our retail and leisure businesses, including high street shops, hotels, food and beverage outlets, gyms and hotels were closed during the height of the lockdown period. This has impacted rental payments and collection rates in the short and medium term.

We have good relationships with most of our tenants, particularly our smaller tenants, and have held one-on-one discussions to find solutions, such as deferring payments or renegotiating lease terms and we have shared the pain with those most in need of support. As a result, we received or agreed to defer payments for 86% of the rent and service charge due for the period from March to the middle of September. However, a number of our larger tenants have chosen to take advantage of the government limiting the ability of landlords to pursue non-payment of rent. This has

resulted in some tenants who could pay choosing not to pay their rent and service charges. This puts pressure on landlords, like TCS, and significant uncertainty remains around the level of rent receipts for the coming quarters.

COVID-19 has put additional significant pressure on retailers and the food and hospitality sectors. We expect this to lead to increasing pressure on rents, lower levels of rental growth and continued lower levels of rent collection. We could also potentially see a shift towards more flexible leases, for example, a combination of fixed and turnover rent. It should be noted that the nature of TCS's retail property portfolio means that we have little exposure to those fashion retailers and department stores who have been most hard hit. However, there remains a considerable degree of uncertainty across the market in relation to the speed at which normal business will resume, rent receipts, rental levels going forward and the ability of tenants to continue trading.

TCS made the decision to put all capital projects on hold, with the exception of 123 Albion Street (which completed in August 20), in order to preserve cash during the height of the crisis. Work has restarted post year end on Ducie House, due to complete this autumn.

“The strategy to diversify the portfolio in recent years is proving to be a resilient and sustainable one.

Our tenant portfolio



Overview

Over the past five years TCS has built an increasingly diverse and mixed-use portfolio with a high-quality and diverse tenant base across a range of sectors including retail and leisure, office, hospitality, food and drink and residential property. Through our strategy of diversification, the proportion of retail and leisure assets in the portfolio has reduced to 47% at year end, down from 70% in 2016.

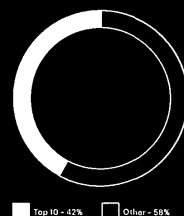
Pure retail represents only 35% of the total portfolio and our retail portfolio remains focused on supermarket, discount, and convenience retailing, which typically has higher footfall and is less affected by the growth in internet shopping. As our exposure to retail has been reduced, office space, food and drink and private rented sector (PRS) residential assets have increased share.

As a result, we have been insulated to a degree from some of the challenges currently facing the retail sector, but we have been exposed to the challenges faced by our tenants in the food, beverage and leisure sectors and are working through this with them, supporting their recovery. The COVID-19 pandemic has reinforced the need to continue with our strategy of repositioning our portfolio by reducing our retail exposure going forward.

Key tenants include Leeds City Council, Morrisons, Step Change Debt Charity, Pure Gym and Premier Inn.

Top 10 tenants

Leeds City Council	9%
Waitrose	7%
Wm Morrison	6%
Pure Gym	4%
Premier Inn Hotels	4%
Aldi	3%
Step Change Debt Charity	3%
Home Bargains	3%
Dune Group	2%
The Deltic Group	2%



Rent collected

82%

Rent deferred

4%

(March 27 to September 15 inclusive)

Divisional review

continued

Regional focus

TCS has a regionally focused property portfolio, with an emphasis on the northern cities of Leeds and Manchester, which together represented 79% of our portfolio by value at end FY20.

Leeds and Manchester are two of the largest conurbations in the UK and have attracted significant investment from both UK and international investors and delivered strong economic growth over the past five years.

The regions typically do not see the extreme peaks and troughs in returns seen in the London property market, providing a more stable and less volatile environment through the cycle. As a result, we believe the fundamental longer-term outlook for our Leeds and Manchester assets remains positive. The housing market remains strong but the challenge of rebalancing the UK economy and delivering the critical infrastructure required to drive growth in the regions remains. Devolution deals have an important role to play in rebalancing the economy and Leeds and Manchester have two of the most significant devolution deals of all of the English regions and key roles to play in drawing further investment into big regional cities to attract businesses and create jobs.

Leeds key facts

Leeds City Region is the UK's largest regional economy and the largest contributor to UK GDP in the Northern Powerhouse, a national and international leader in key industries and one of the best places in the UK for businesses to grow.

Population:	Forecast growth rate:
770,000	8.3% forecast over the next five years.
Student population:	Fourth best shopping destination in the UK with over 660,000 people claiming the city as their primary shopping destination.
Largest number of universities outside of London. 39,000 skilled graduates per year.	
Workforce:	Key growth sectors:
A skilled workforce of 1.4m people.	Digital technologies, healthcare and innovation, manufacturing, financial and professional services.
Corporate offices/HQs:	Other development of the Southbank by CCG, the new West End by MEPC and CPP, significant amount of student accommodation around Merlion and Moda next to WYPhouse.
Channel 4, ASDA, PwC, KPMG, HSBC, DLA Piper, Direct Line, BOS, Yorkshire Bank, Addleshaw Goddard, Eversheds, Pinsents. 169,000 businesses and a GVA of over £69billion. Home to the UK's leading professional services hub outside of London.	

Our stakeholders:	Value £m	%
Merlion Morrisons	18.1	8%
Merlion Offices	53.6	24%
Merlion Retail & Leisure	42.1	19%
Merlion Car Park	23.5	11%
Ibis Styles Hotel	8.6	4%
Total Merlion	147.9	65%
Other Leeds assets:		
Retail & leisure	15.1	7%
Offices	14.6	6%
Hotels	14.5	6%
Residential	3.9	2%
Industrial	6.0	3%
Car parks	10.5	5%
Development	14.0	6%
Total Leeds	226.5	100%

Leeds as % of total

61%

* Total %s rounded

Leeds

Merlion Estate

The Merlion Estate has been a key asset in our portfolio for over 55 years and one that we continue to evolve as a unique mixed-use development consisting of retail and leisure, office and car parking assets.

Adjacent to Leeds Arena and very much at the centre of a growing student community from both existing student developments and approximately 3,500 new student beds under construction around the centre, our significant investment and focused asset management activity has materially reinvented the centre, targeting the growing local student population and the Leeds Arena crowds. With various redevelopment opportunities still existing, we believe the Merlion Estate continues to represent a valuable long-term opportunity. During the year we continued to develop the centre:

- The office space is fully let serving a range of smaller and larger tenants including Leeds City Council's headquarters and we work hard to keep tenants on site and build strong relationships.
- Inside the centre, 23% of our space is retail, focused on the more stable food and value sector of the market. 30% of our retail tenants were able to remain open during lockdown including a large Morrisons supermarket and we have supported our tenants during this time, ensuring they are able to operate safely and helping other tenants to get up and running as lockdown eases.

- Outside the centre we have invested significantly to improve the centre's fascia and kerb appeal. This has generated significant interest and led to a raft of new tenants including the Co-op and a variety of food outlets such as Starbucks, Blue Sakura, Dominos, and a number of new Asian food offerings which are popular with the local student population.

Ibis Styles hotel

Due to the direct impact of COVID-19 on the hospitality sector, performance has been weak across our hotel and leisure assets. However, forming part of the Merlion Estate, the hotel is in a key location close to Leeds Infirmary and it has been able to help support the local community by remaining open to key workers at a discounted rate during the lockdown.

As people slowly return to work, the business is starting to attract customers once again and it has expanded its marketing channels to attract corporate bookings to help increase the occupancy rate.

Refurbishing existing investment assets

Grade A space is in short supply in Leeds and Manchester. TCS is spending over £7m on major refurbishments of 123 Albion Street in Leeds and Ducie House in Manchester, and the common parts in Carvers Warehouse. These great city centre locations are well placed to benefit from the lack of available new Grade A stock on the market and we are seeing strong levels of interest in 123 Albion Street where the refurbishment is complete.

123 Albion Street

Acquired in 2018, we have undertaken a net £4m refurbishment of this building which achieved practical completion in August 2020. The building comprises 22,000 sq ft of leisure space on the ground floor, with 50,000 sq ft of good quality office space over three floors. It is located in central Leeds in close proximity to the Merlion Estate and we have had healthy interest for occupancy from the end of this year.

For more information, see our case study on page 17.

New tenants and lease renewals

At Vicar Lane, we have signed a ten-year lease with income of £75,000 with a new tenant, We are Cow, a leading independent retailer specialising in vintage clothing. This unit has now been fitted out and is trading. We have successfully re-gear a number of our properties during the year. At the Headrow in Leeds we have agreed lease renewals with both Whitford (five years) and Greggs (five years) while in West Park, Harrogate ten-year lease renewals have been signed with OKA and Cotswold Outdoor. All deals have been at or close to passing rent.

Divisional review

Manchester represents one of the largest UK city regions outside London, with an economy worth £62.8 billion (GVA). This strength has enabled it to establish an outstanding reputation as a competitive place to do business, boasting a diverse and high-quality portfolio of business properties. Talent-hungry companies choose to invest in Manchester because of the people that choose to live, work and study here.

Manchester is a leading European business destination and the most successful UK city for attracting foreign direct investment outside of London. The birthplace of the Industrial Revolution, it continues to be a city which innovates across a variety of sectors. As highlighted in The Data City for the UK's Top Digital Tech Cities – 2020 report, Manchester outperforms all other major UK cities in the fields of AI and data, advanced materials, cyber, construction tech, eCommerce, IoT, MedTech and service design.

Manchester key facts

Population:

With access to 7.2 million people within a one-hour drive and over 100,000 students, Manchester provides companies with unrivalled access to a wealth of talent. With strengths in cyber security, FinTech, genomics, advanced materials and more.

Over 550,000 in the centre with over 7.2m people within one hour's drive.

Student population:

Over 100,000, supported by the city region's five universities and a strong civic focus on developing the future talent pipeline.

Workforce:

The population of Manchester is forecast to grow by 81,200 from 2017, taking its total to 619,400 by 2036. The working age population (16–64) will increase by 10.5%.

Corporate offices:

BBC, ITV, the Co-operative Group, Boohoo, MAG, THG, Amazon.

Forecast growth rate:

14.1% over the 20 years from 2017. Primary retail catchment of 1.6m people.

Primary retail catchment:

1.6m people. The Greater Manchester Forecasting Model 2018 shows GVA growing at 1.7% per year up to 2036, an increase of £25,800 million between 2016 and 2036.

Total employment is forecast to grow at 0.5% per year in GM, equating to a net increase of 140,100 employees 2016 to 2036. Employment growth is largely driven by Business, Financial, and Professional Services – accounting for over half of the net increase in the total number of jobs based in GM, up to 2036.

Our stakeholders:	Value £m	%
Manchester Retail & Leisure	14.8	22%
Manchester Offices	13.6	20%
Manchester Residential	11.0	16%
Manchester Co-Perks	3.8	6%
Manchester Development	23.8	36%
Total Manchester	66.8	100

Manchester as % of total

18%

* Total £1,000m

Manchester

Office space

In Manchester, vacancy rates for grade A office stock are relatively low, and rents have risen steadily over the last five years. With a lack of new build space, the city is also seeing significant growth in refurbished space as these buildings offer an attractive alternative to new developments.

Ducie House

Ducie House is a 33,000 sq ft multi-tenant office building where we are investing £2.2m in a full refurbishment of the building during the year to create good quality working spaces which can be let on flexible, short-term leases. Due to COVID-19, the refurbishment was paused in the spring, but the work is now due to be completed in October 2020 and we expect to see strong demand as good quality refurbished office space is in short supply.

For more information, see our case study on page 14.

Carvers Warehouse

During the year we also invested £0.3m improving the common areas in our Carvers Warehouse office building, creating social and break-out space for our tenants. Carvers Warehouse continues to have high occupancy levels and we are working hard to let the remaining suite. Our investment has enabled us to ensure that the asset is consistent with the best refurbished space available locally, pushing rents on from an average of £16 psf to £18psf. The tone of the building is now £19–£20 psf.

Residential

Housing in the region is in short supply and there are plans to develop a minimum of 25,000 new homes in Manchester over the next 10 years. While there are some risks to the future outlook from COVID-19, the residential market here remains robust with strong investor developer interest for key sites.

Burlington House

Our first dedicated PRS building, Burlington House, in Manchester, was completed and fully occupied by September 2019 and we were pleased to be awarded Insider's North West Apartment Developer of the Year for this development. It has continued to enjoy high levels of occupancy during COVID-19 and we anticipate that this will be a key step towards further PRS developments in the Piccadilly Basin.

Divisional review

continued

Scotland & London

We have had a long-standing presence in Scotland, however following disposals over the past couple of years we have sold the majority of our Edinburgh assets and now focus solely on retail and residential assets in Glasgow and its close commuter town of Milngavie.

In London, our investments are in good quality secondary high street locations and primarily consist of retail and residential mixed-use assets.

Refurbishing existing investment assets

We let the ground floor and basement of a property in Bath Street, Glasgow, on a fifteen year lease to The Scotch Malt Whisky Society at a headline rent of £30k per annum. The transformational refurbishment has been a great success and the tenant opened for business in March before unfortunately having to close temporarily as a result of COVID-19.

Acquisitions and disposals

In London, we bought a shop with upper residential space at 106b Kilburn High Street for £1.61m. This was an opportunistic purchase of an asset at an attractive price and yield adjacent to an existing TCS asset.

We continue to look to maximise available capital partly through the disposal of ex growth assets. In January 2020 we completed the sale of a retail unit in Shandwick Place in Edinburgh. The 6,000 sq ft unit was empty but let for a remaining eight years to Morrisons, and has been sold for £2m, 5% above valuation, at a yield of 7%.

We continue to explore opportunities to dispose of retail assets at the right price.

1.Glasgow		
Scotch Whisky Society		
2. London		
106a Kilburn High Street		
3.Glasgow		
Scotch Whisky Society		
Our stakeholders:		
Scotland & London	Value £m	%
Retail & Leisure	58.0	74%
Scotland & London	0.7	1%
Offices		
Scotland & London	6.7	9%
Residential		
Scotland & London	12.7	16%
Car Parks		
Total	78.1	100%
Scotland & London		
Scotland & London as % of total		

21%

* Total % rounded

Development pipeline

Our development pipeline of over £600m has been built up over time and is a major value creation opportunity for the business, providing TCS with opportunities to support the business and generate long-term value on a case-by-case basis. We take a conservative, long-term approach to development to ensure we do not overcommit ourselves, exploiting opportunities when the timing is right and controlling the pace of development.

In the current uncertain and changing market environment, our focus is capital management and some development projects are therefore under review as we assess the opportunities.

- We were in the planning process for a 50/50 joint venture with Leeds City Council to develop a 136 room aparthotel on George Street in Leeds. Our original plan was to use shares in the joint venture as security to fund the asset, but in the current environment this has proven unachievable, and therefore we have decided not to proceed.
- Our planning consent for Whitehall Road in Leeds to develop a 180,000 sq ft Grade A office space and 513 space multi-storey car park has been implemented and we continue to market the site to secure a pre-let. We are also reviewing alternative options for the Whitehall Road development site in order to ensure we can maximise value from this prime location.

□ We still see long-term value in residential property, particularly prime sites with major transport links, and this will enable us to continue to diversify away from retail. Our Eider House development, our second PRS scheme in Manchester's Piccadilly Basin, meets these criteria and has been granted planning consent. We intend to proceed with this development, but the timing is currently under review.

Over the long term we believe our development pipeline continues to present material opportunities for TCS.

Divisional review

continued



Ben Ziff
Managing Director CitiPark
& TCS Energy

Key facts

Number of car parks

19

Spaces operated across 19 car parks

8,470

Overview

Until the end of February 2020, CitiPark enjoyed a strong year and saw significant year on year improvement in both revenue and profitability. We introduced a number of new initiatives during this period, including launching our own parking app and offering instantly available season tickets to car park users. We have also taken significant steps to expand our car park management services platform, successfully adding two new locations in the past twelve months. An important development for the business was the launch of BaySentry Solutions, our parking enforcement company, which started operations on 1st January 2020.

COVID-19

Since the end of February, COVID-19 has had a very significant adverse effect on our business. Business closures across the commercial,

CitiPark

CitiPark is a strong and profitable standalone business in its own right, and also plays a valuable role in monetising what would otherwise be empty, non-income producing, development assets in Leeds and Manchester.

leisure and retail sectors combined with the restrictions on movement during lockdown reduced the use of car parks. The majority of our car parks were closed and we also saw season ticket cancellations. In addition, car parks were not able to benefit from the UK government's business rates relief scheme. This has materially impacted our profitability, leading to profit for FY20 of £2.6m (pre IFRS 16) compared to a profit of £4.4m for FY19. Given the growth expected and seen in the first eight months of the year we estimate COVID-19 to have impacted CitiPark profitability by £2.0m in the year.

We were proactive in taking action to manage the impacts on the business by:

- implementing cost saving initiatives across the business;
- making use of the furlough scheme, furloughing approximately 80% of our car park business employees including our hourly paid operations staff;
- closing our operations in Leeds, Manchester and Watford and making partial closures throughout the rest of our portfolio helping to minimise costs, in particular business rates; and
- cancelling or suspending non-essential contracts and services wherever possible.

The measures we have taken combined with our strong early start to the year, mean that we have been

able to successfully navigate this challenging situation and are well-positioned to benefit as the economy begins to open up.

We are starting to see an improvement in business, our branches are now open, and we expect this improvement to accelerate as consumers move away from public transport and companies buy parking spaces for their employees so they can drive to work.

Supporting our stakeholders

During this difficult time, despite the adverse effect on our business from COVID-19, we felt it was important to support the NHS and other key workers, in line with our commitment to contribute positively to our local communities. We therefore offered our services and premises to the NHS, becoming an NHS supplier so we could open car parks and provide 6,500 car parking spaces to be used completely free-of charge as and when needed, worth £80,000.

We also put in place support mechanisms for our employees, including topping up the pay of those staff who were furloughed so they continued to receive their full salaries and providing regular updates and touch points for all our employees. To protect our staff as they return to work, we have conducted new risk assessments for all our car parks and ensured that our employees have access to suitable PPE and hand sanitisers.

Finally, we have been working together with high street retailers and other operators to encourage people back to their offices and businesses, and therefore using our car parking facilities.

Our performance

During the first eight months of the year, CitiPark made good progress and saw strong growth, increasing revenues by 4.7% against the same period in the previous year.

We added over 1,500 parking spaces to our portfolio and following our successful partnership with John Lewis, we took on car park management contracts at two new locations, Victoria Mills, Shipley and the Manchester Arena car park, a prime car park with 978 parking spaces in a flagship location. This went live successfully on 1st April 2020, despite the challenges during this time, and we remain confident on the outlook for this location. Car park management services remain a growth opportunity for the business going forward.

For more information, see our case study on page 15.

Developing technological solutions

We also continued to focus on technological improvements and progressed various new initiatives during the year:

- developing and launching our own fully integrated CitiPark app, enabling our customers to pre-book parking and other services via their mobile devices, whilst also allowing third-party integration (e.g. YPS);
- offering digital season tickets that can be downloaded to mobile phones eliminating the need for a plastic card; and
- providing mobile pay, scan and pay solutions at all our CitiPark car parks.

We have seen strong take up of these new solutions, recording over 16,900 pre-bookings and over 12,600 mobile payment transactions since launch and issuing over 500 digital season tickets.

In addition, we have developed our own parking management system which utilises ANPR technology and our own app. This system has been introduced at our Ducie Street, Burlington and Victoria Mills car parks during the year and we intend to roll this out more widely across our portfolio in the coming year.

CitiCharge

The business continues to look at developing sustainable and environmentally responsible solutions and we view this as an opportunity to create additional value going forward. Sales of electric cars continue to grow rapidly and, as a result, we are seeing increased demand for electric vehicle (EV) charging points. As part of our CitiCharge plan to roll out EV charging points across all our appropriate investment property, we installed EV bays in the car park of our Milngavie retail property during the year. Post year-end we won an order to supply 35 EV chargers to Coventry NHS hospital, a significant contract which also provides us with a potential opportunity for further collaboration on future NHS projects.

BaySentry

In order to deter inconsiderate parking and ensure that there are car parking spaces available for fee-paying customers, we use enforcement services across our car parks, which have previously been contracted to a third-party supplier. We saw an opportunity to reduce our costs and gain an additional income stream by supplying these services ourselves.

BaySentry Solutions Ltd, our parking management company, started operating in January 2020 following receipt of its accreditation from the British Parking Association Approved Operator Scheme. We currently have contracts in place to provide enforcement services and issue Parking Charge Notices (PCNs) at six branches and this will expand further.

Going forward, we shall be able to add our enforcement services to any future car park management contracts agreement tenders in the wider market, often seen as a prerequisite to those looking for an operator.

Yourparkingspace.co.uk (YPS)

YPS is an internet and app-based business that matches customers to available car parking spaces across the UK. It has over 87,000 spaces available to book in over 15,000 different locations. TCS has a stake in YPS, and in line with its original investment agreement, TCS exercised a further share purchase option in the year. Our equity stake at 30 June 2020 stood at 19.9%.

YPS, like all parking businesses, has been impacted by COVID-19. However, it has managed its cash and expenses very carefully, remains in good financial shape and has seen a significant upturn in business in the past few months.

Since the 30th June YPS has concluded a further round of fundraising with a new private equity investor investing cash into the business for the next phase of growth, and becoming a significant lead shareholder. As part of the process TCS executed its final option agreement, and post completion of the transaction will hold 21.7% of the business.

Outlook

The easing of lockdown measures since the middle of June has enabled shops and businesses to reopen and staff to return to work and we have started to see customers returning to our car parks. We expect the business to recover relatively quickly as confidence returns and consumers are encouraged to support local businesses. We have put measures in place to ensure we are able to operate safely and effectively going forward, including phasing out cash as a form of payment across our car parks and implementing new, safe ways of working to protect our staff and customers.

We also continue to look at growth opportunities, including the addition of new management services contracts, the growth of our EV charging platform and further development of our app including the integration of the emissions-based tariffs and the expansion of our BaySentry Solutions business.

Section 172 statement

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board believes that, individually and collectively, they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a) Companies Act 2006.

We have continued to generate value for our stakeholders for 60 years and remain committed to pursuing our strategy for long-term value creation.

We believe that consideration of our stakeholders is the foundation of what we do and the basis of every decision that is made throughout the Company. To demonstrate how entrenched this is into the way we act as a business we have included cross-references to where you can find further examples across this report.

<p>Why invest in Town Centre Securities?</p> <p>Clear demonstration of the value we provide to shareholders</p> <p>Page 6</p>	<p>Strategy</p> <p>Clearly defined plans for the future of the business</p> <p>Page 7-8</p>	<p>Environmental, Social and Governance Report</p> <p>Demonstrating understanding of how our business impacts those around us</p> <p>Page 9</p>
--	--	--

How the Board factors its stakeholders into decision-making
The table below sets out who we believe to be our key stakeholders, why they are important to us and subsequently how we factored their interests into our decision-making process to promote the success of the business as a whole.

Our stakeholders	Why they are important	How we engaged during the year
Shareholders	Shareholders are key to ensuring we have the capital to continue doing what we do. They keep us accountable and provide direction and approval to future plans.	<p>The primary communications with private shareholders is through the Annual Report and Accounts, the AGM, Reg-Eden and the Annual General Meeting (AGM). All Directors attend the AGM and we encourage shareholders to ask questions of the Board and meet informally after.</p> <p>In addition, the Chairman and Chief Executive, and Finance Director maintain a dialogue with institutional shareholders and analysts immediately after the announcement of the half year and full year results and at other times throughout the year.</p> <p>During the COVID-19 crisis we have released a number of SMS statements detailing actions the business is taking, levels of cost savings being experienced and levels of borrowing headroom to give all shareholders confidence in terms of our response to the crisis and our ability to weather it.</p> <p>We continue to engage with Edison to prepare analyst reports which are available for all investors to read. We are very aware that we have a large proportion of small investors who will not be able to use the reports written by our Group's external PR firm. The Edison reports are freely available to all shareholders.</p>

Our stakeholders	Why they are important	How we engaged during the year
Employees	Our employees allow us to continue to deliver and maintain quality environments and services to our customers and sustain long-term growth, providing value to our shareholders. Ensuring we have happy employees with challenging work is a key to higher quality outcomes and benefits all stakeholders.	<p>We are committed to the personal and professional development of our employees, supporting employees through studies.</p> <p>We continue to look for ways to improve the rewards and support we give our staff, beyond their base salary, and have a number of schemes in place to enable this. This includes but is not limited to salary sacrifice schemes for childcare vouchers and cycle to work initiatives. We offer Health Care for less than based on a company paid insurance and access to a pension of over a share every scheme allowing all staff to benefit from the HIRC scheme with NCS also contributing shares. We are also currently investigating the option of an electric vehicle salary sacrifice scheme, giving both a financial and environmental benefit.</p> <p>Last year we completed the refurbishment of our Leeds head office. As well as providing the Company with the ability to rent some residual space, the Company will open a new office in the Leeds office space was shared with the building of staff, improved internal layout, improved work environment, lighting, air warmed staff kitchen and better break-out space.</p> <p>During the COVID-19 crisis we have kept in close contact with staff, and for those that worked still have reported salaries fully up to £60k.</p> <p>During the 2019 financial year we appointed Ian Marcus as our workforce representative.</p> <p>Further details on our workforce engagement can be found on page 40.</p>
Tenants	Delivering for customers is at the heart of everything we do. Whether that is locally based businesses or those who develop and operate our estate, the health and safety of our customers are our priority. We are committed to ensuring that we have happy employees with challenging work is a key to higher quality outcomes and benefits all stakeholders.	<p>During the COVID-19 crisis we have been in very close contact with our tenants in an attempt to understand the pressures that they are under and how we can work with them to get through the crisis and ensure that remains tenants in the long-term. Our approach is to support tenants through the crisis and ensure that tenants are not just a number but a real person. We will work operationally to support as well as in the long-term. We are particularly working with all our tenants to help bring customers and workers back to the shops, restaurants and offices and to enable socially distanced shopping and working has been a priority.</p> <p>In Ducie House in Manchester we have worked with tenants to support them through the COVID-19 crisis whilst at the same time and to our refurbishment of the building for the next year. We have also worked with tenants to ensure that they are not just a number but a real person. We will work operationally to support as well as in the long-term. We are particularly working with all our tenants to help bring customers and workers back to the shops, restaurants and offices and to enable socially distanced shopping and working has been a priority.</p> <p>Further details on our engagement with our customers can be found on page 10, 40, 43.</p>
Debt funders	Our economic model assumes that we leverage assets developed to continue to invest and grow. This makes the availability of secured debt funding key to business development. We are our three main debt providers, and our debt providers are key stakeholders.	<p>We remain in regular communication with our banks and during the COVID-19 crisis this has increased. We have made sure to update them on rents received and any measures taken to ensure company performance and the assets specifically secured to their facilities.</p> <p>In addition this year we have prepared a debt finance specific presentation available on our website which the Chief Executive and Finance Director presented to the majority of debt providers.</p>
Community	We believe we have a duty to make a positive contribution locally and be considered an integral part of the community.	<p>The COVID-19 pandemic shows a right on how we and is a social our key workers are to the survival of this country and the importance of community. This unfortunate event enabled us to show our solidarity with our key workers by launching initiatives such as the key workers' expression of gratitude, a four-month long project of all tenants with them visiting the building to allow for the work to take place in a safe environment and in the shortest time.</p> <p>Further details on our engagement with the community can be found on page 41.</p>
Environment	The Board acknowledges that it has a responsibility to minimise its environmental impact.	<p>The year we reintroduced our recycling scheme allowing customers to recycle a discount on their parking fee for every plastic bag brought to our staff's attention. We are also working on a project to bring in more sustainable charging points.</p> <p>Following receiving a 'Contributing to the Community' award last year, our staff has continued to be charged of green initiatives. Further, the UK's electricity is being charged by using more sustainable charging points.</p> <p>Further details on our engagement with the environment can be found on page 42.</p>

Corporate responsibility

Overview

TCS has been committed to generating long-term sustainable success since its foundation over 60 years ago and still retains the ethos of its founder that business should make a positive contribution to the communities in which it operates.

The Marjorie & Arnold Ziff Charitable foundation is a registered charity which, whilst managed separately with its own resources based on a TCS shareholding, plays a key role in facilitating the Ziff family to support the local community while Edward Ziff, our current Chair and CEO, was awarded an OBE for services to community in 2017 and is Chair and Trustee of Leeds Cares, a charity which supports Leeds Teaching Hospitals.

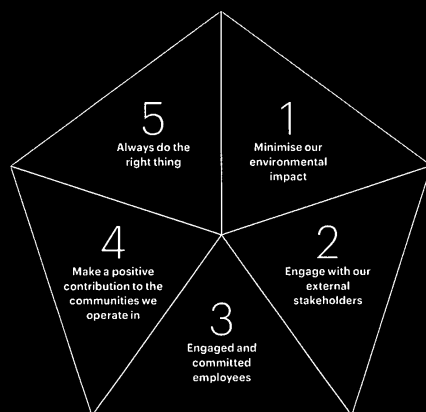
We recognise the need to develop a more formal structure to support our activities and ambitions in this area and have embarked on a journey to create an ESG framework with clearly articulated targets and metrics to measure progress against our focus areas. While the disruption due to COVID-19 has prevented us from making the progress intended this year, the approach we have taken to managing the exceptional challenges we have faced has served to demonstrate our intrinsic commitment to ESG issues.

Governance

The Board currently has responsibility for overseeing our activities in this area and ensuring that ESG issues are considered in all our decision-making. When we invest our capital we always look to protect the environment, benefit the communities that surround us, and take into account the needs of all our stakeholders.

Our approach

ESG is at the heart of everything we do. We aim to ensure that all the activities we undertake as part of our four strategic workstreams are underpinned by the following five ESG principles which form the basis for our ESG programme:



The table below details some of the ESG focused and COVID-19 specific activities that are currently underway across the business and outlines how they fit into our strategic framework.

	Actively managing our assets	Maximising available capital	Investing in development	Investing in investment assets
Minimise our environmental impact	1, 2, CV13	1, 4, 5, 13, 15	6, 8	12, 19, 20
Engage with our external stakeholders	CV3, CV6	2, 4, 15	2, 6, 8, 9, 11	2, 6, 9, 16, CV9
Engaged and committed employees	3, 7, CV4, CV7, CV11	18, 21		
Make a positive contribution to our communities	14, CV5	CV14	11	CV12
Always do the right thing	CV8	CV1, CV2, CV10		
Strategic projects				
1 Merlion Centre waste and sustainability plan	11 Piccadilly Basin street art project and security improvement	CV1 Reducing Board salaries by 20%	CV8 Full round of updates presented to Debenture holders	
2 Energy efficiency programmes lowering service charge costs	12 Environmental targets for 123 Albion Street and Ducie House	CV2 Weekly full Board meetings and weekly Non-Exec meetings with Chair/CEO	CV9 Continued investment in 123 Albion Street and Ducie House	
3 New office refit with living walls and improved space	13 Launch of CitiCharge	CV3 Entering into bespoke agreements with tenants regarding their ability to pay lease commitments during COVID-19	CV10 All other Capex suspended	
4 Investment in EV charging infrastructure	14 Significant CSR programme supporting local communities and charities	CV4 Granting three additional rest days for non-furloughed staff to take in Q1 2021	CV11 All furloughed members of staff topped up to 100% salary by the Company	
5 Solar farm investments in Leeds and Manchester	15 Specific parking rates for EV drivers at Clipsestone Street	CV5 NHS and key worker support via car parks and Ibis Styles hotel	CV12 CitiPark and Walk initiative to replace closed Leeds Park and Ride service	
6 BREEM targets for all new buildings	16 Investment in WiredScore	CV6 Working with tenants who remained open to ensure safe access for customers and facility users	CV13 Energy usage across closed premises managed to reduce environmental impact and cost	
7 WELL Building Standard target	17 Westfield Health benefits for staff	CV7 Two or three times a week video calls with senior staff to review all aspects of the business including staff wellbeing	CV14 Worked with trustees of the Marjorie and Arnold Ziff Charitable Foundation to support charities associated with TCS during the crisis	
8 Full recycling options at Burlington House	19 Go Ultra Low status for CitiPark			
9 Merlion House facilities including recycling and cycle store	20 Installation of PIR and LED lighting systems in properties and car parks			
10 Burlington House value added services including cleaning, deliveries and fitness	21 Ian Marcus appointed workforce Board representative			

SUSTAINABLE DEVELOPMENT GOALS



Alignment with the UN Sustainable Development Goals (SDGs)

TCS recognises the importance of the UN SDGs and as we further develop our ESG programme we are using these to inform our decision-making and target setting.

The key SDGs that TCS has an impact on and our activities in these areas are set out adjacent:

SDG Goals	
Goal 3 - Good health and wellbeing	Our charitable work with children (e.g. our work with the Ahead Partnership)
Goal 7 - Affordable and clean energy	Producing our own solar energy through the development of three solar farms in Leeds and Manchester
Goals 11 & 12 - Sustainable cities and communities and Responsible consumption and production	EV charging network, and newly formed CitiCharge business. Also our five-year Merlion Centre sustainability plan
Goals 10 & 17 - Reduced inequalities and Partnerships for the goals	Local charitable partnerships including Tempus Nova

Corporate responsibility

continued

Delivering the programme:

1 Minimise our environmental impact



TCS has long taken its environmental responsibilities seriously, including making long-term investment decisions that give immediate environmental benefits, with longer-term commercial ones. We outline our approach to date on those aspects of the environment that we can influence and some of the key initiatives that we have delivered. This report does not include metrics for the whole of our estate, since the majority of it is let to third party tenants who are responsible for the generation of, and reporting on, their environmental footprint. We also highlight our environmental work on the Merriion Centre, our largest and most complicated asset, and 123 Albion Street which is currently being refurbished.

Our approach

Across our business our key environmental focus to date has been on sustainable energy usage in three key areas:

- **Buildings** - We aim to design and deliver buildings that:
 - Are capable of achieving the WELL Building Standard, reflecting our commitment to the health, wellbeing and productivity of the spaces that we create.
 - Integrate high standards of environmental design so that the impact on the natural world is minimised and wherever possible delivers positive environmental benefits.
- **Generation** - We have three of our own solar photovoltaic farms in Leeds and Manchester, which in FY20 generated over 200,000 kWh of energy and avoided over 115 tonnes of carbon dioxide.
- **Vehicles** - Through our CitiPark business we have a unique lens into the consumer's use of electric vehicles and are taking considerable steps forward in increasing the provision of EV charging for customers' electric vehicles. Projects include:
 - Installation of EV charging across our car park estate and introduction of our first rapid charger at Merriion in Leeds.
 - Creation of our CitiCharge EV charging venture, with new charging facilities installed in Milingvie in the year.
 - CitiPark plans to introduce an emission-based parking tariff. This is currently being trialled in one of our London branches.
 - CitiPark are accredited as a 'Go Ultra Low' company recognising CitiPark's commitment to EV vehicles within its own fleet.

We apply the BREEAM standards, targeting the BREEAM Excellent rating in our new office developments and a minimum of BREEAM Good in office refurbishments.

Sustainable materials, full lifecycle models and energy efficiency are part of our project evaluation process for development and refurbishment works in our estate.

All of our buildings have had EPC assessments and we monitor and seek to improve EPC ratings through the lifecycle of the building.

We aim to ensure that the construction process minimises disruption and nuisance to surrounding communities and occupiers by employing contractors who meet the standards of the Considerate Constructors Scheme.

The Merriion Centre

The Merriion Centre is now in year three of its five-year sustainability plan and is on target for implementing its goals ahead of schedule. Our key objective is to reduce our carbon footprint and in turn reduce our impact on the environment, these initiatives include:

Waste initiative

With growing services in the night-time economy we have seen an increase in the volume of waste being produced. We have reviewed the various waste streams, ensuring we better segregate the recycling from the general waste.

The COVID-19 lockdown saw a number of our tenants closing their doors for a period of time. The waste management service was adapted accordingly to ensure financial savings were captured. During this period recycling was still widely promoted across site.

For the second year running 100% of our waste has been diverted from landfill with the waste either being recycled or sent to a local Energy Recovery Facility (ERF). Using a local firm also cuts down on CO₂ emissions from vehicles.

The Merriion Centre produced 38.4 tonnes of waste in total last year, which is a reduction of 28.7% over the previous 12 months. 22% of the total waste produced this year was recycled and 78% was sent to an ERF.

Total waste produced (tonnes)

38.4

Total waste reduction over 12 months

-28.7%

Total waste recycled

22%

Total waste sent to ERF

78%

Sustainability projects

Measures to improve sustainability at the Merriion Centre include:

- The creation of a cycle shower facility in the centre largely through reusable products to support the growing number of cycling enthusiasts.
- Our rolling programme continues to upgrade and improve our power distribution network including:
 - Two new meters installed to help reduce the load on our oldest controls panel.
 - Further LED lighting was installed in the centre mall and offices.
- To promote well-being and offer a space to relax and re-charge, the Merriion Centre launched a brand-new space 'The Green'. Offering free Wi-Fi and charging points within a contemporary garden backdrop of giant deck chairs and seating, it invited visitors to 'experience the great outdoors' and offered the perfect place to meet, connect and charge in a serene and creative space and in line with Government guidance on social distancing. Residing in a temporary space on the main mall, 'The Green' hosted pop up refreshment stalls and events including the Leeds United Champions Trail and offered office workers, students and families a space to enjoy their own refreshments in the heart of the city. This was created largely out of reusable equipment.
- We continue to operate an Ecocap system in the Town Centre House toilets and as a result in the past year we saved approximately 300,000 litres of water.
- 'Merriion Goes Green' week was re-launched in October 2019, following its success the previous year. This provided a platform to promote all things sustainable and environmental. The themes were Reduce, Reuse, Recycle, Rejuvenate and Renew, working with tenants and local focus groups to raise awareness and reiterate our commitment.
- During the pandemic a new piece of innovation was implemented, an escalator hand sanitising unit. This uses uv lamp technology to sterilise the handrails by continuously disinfecting the rails during the operation of the escalator on site. The system is designed to wipe out 99.99 per cent of germs on the surface of the handrail in a sustainable manner.
- The Merriion Centre and a number of our tenants joined the 'Refill campaign', with the aim of reducing plastic pollution by making it easy to refill your reusable water bottle instead of buying a plastic one. For more information visit refill.org.uk.
- CitiPark's highly successful 'play with plastic' initiative was further enhanced in 2019 with a month-long recycling scheme. CitiPark rewarded environmentally conscious drivers by offering a 5p discount on parking for every plastic bag brought to both the Merriion Centre and Leeds Dock car parks.

Energy and water consumption

As a result of our energy saving initiatives, the Merriion Centre saved £5.1k last year, equating to a 10.9% reduction on electrical consumption, notwithstanding the development of the centre.

The Merriion Centre also achieved a 52.7% saving on gas and water volumes.

Corporate responsibility

continued

SECR

In line with the Companies Act 2006 (2013 Regulations) and the recently introduced Streamlined Energy and Carbon Reporting (SECR) requirement, Town Centre Securities PLC ('TCS') is disclosing its annual Global Greenhouse Gas (GHG) emissions for the second time. We are required to report the Company's emissions of carbon dioxide equivalence (CO₂e), a CO₂e intensity value, and the consumption of energy in the UK. The methodologies and processes used to calculate these emissions are also disclosed.

This is the second year of GHG emissions reporting for TCS but the first following the new SECR regulations under which energy consumption must also be disclosed. TCS has addressed environmental impacts through a number of measures and processes; details of these are laid out on page 36 of this report.

The table below includes emissions for the consumption and combustion of fuel (Scope 1) and purchased electricity (Scope 2) of the premises and other assets operated by TCS.

TCS purchases natural gas for one office and has a fleet of nine vehicles – three of which are electric and three that are petrol/electric hybrid cars – which is the sum of the Company's Scope 1 GHG emissions. Scope 2 emissions are made up of electricity consumed at two offices and for the charging of electric vehicles. All of TCS's operations are in the UK, therefore all values below are both Group totals and UK totals. Vehicle emission data and emissions from natural gas combustion have been reported for the first time in 2020.

Energy consumption (all UK-based)	2019	2020	Unit
Scope 1 ¹	n/a	29,447	Kilowatt hours of energy used
Scope 2 ²	n/a	118,118	Kilowatt hours of energy used
Total		164,743	
CO₂e emissions (all UK-based)	2019	2020	Unit
Scope 1 ¹	n/a	10,876	Kgs of CO ₂ e
Scope 2 ²	59,007	39,808	Kgs of CO ₂ e
Total	59,007	50,684	
Carbon intensity	2019	2020	Unit
Reference 1: Area	8,311	8,311	Square metres (office area for Group)
Reference 2: Employee	40	38	Employees (FTE)
CO ₂ e by area	7.10 ³	6.10	Kg CO ₂ e per m ²
CO ₂ e by employee	1,475 ³	1,334	Kg CO ₂ e per employee (FTE)

¹ Scope 1 emissions are traditionally emitted from fuel combustion in other buildings or Company leased/owned vehicles. Emissions from personal or privately-hired vehicles used for Company business are considered to be Scope 3 (under the GHG protocol) and as such are not included in the 'operational control' boundary approach adopted by TCS (see 'Methodology and scope').

² Scope 2 emissions are derived from electricity consumption at TCS's offices and by the electric vehicles within their company car fleet.

³ Values restated following changes to reporting and calculation processes.

Methodology and scope

Carbon Dioxide equivalence (CO₂e) emission data has been collected, calculated, consolidated and analysed following the GHG Protocol (Corporate Accounting & Reporting Standard) following the 'operational control' approach. Emission factors of supplied electricity for locations and vehicle charging (both GHG emissions and energy use based on vehicle mileage) were sourced from the UK Government GHG Conversion Factors for Company

Reporting 2020 (DEFRA agency) – this represents the annual average CO₂e emissions of the UK's electricity grid. The boundary for reporting includes assets (in the case of TCS these are offices and Company owned/leased vehicles) that are operated by the Group and does not include the energy and emissions of building tenants who lease property from TCS; tenants are responsible for reporting their GHG emissions under their own Scope 2

disclosures. Energy consumption values for offices, and their corresponding GHG emissions, are based on values provided by utility suppliers, e.g. electricity or natural gas bills. Company vehicle mileage is estimated and is used as the basis for calculating energy consumption and emissions from fuel and electric charging.



123 Albion Street

Our refurbishment of 123 Albion Street is a significant investment for TCS, and as part of the project we have looked to make environmentally and user-positive decisions wherever possible.

Examples include:

- ☐ Touch-free technology that has significant sustainable products such as the latest PIR lighting controls improving efficiency by 50%.
- ☐ Contactless lifts.
- ☐ Energy efficient heating and cooling system and a bespoke building management system that brings all of our initiatives together to ensure they deliver at an optimum level.
- ☐ The ventilation system recovers 80% of the heat extracted from within the office space.
- ☐ Hot water produced by local point of use electric heaters to minimise energy wastage.
- ☐ A new cycle facility including shower room, cycle racks and a cycle repair stand.

2 Engage with our external stakeholders



CitiPark diagrid

The flagship CitiPark branch at Leeds Merion Centre has this year supported a variety of regional, national and international causes by illuminating its external LED diagrid facing Merion Way.

The NHS (blue), National Play Day (Orange), Pride (Rainbow) and many more initiatives have been supported through this unique and impactful channel which further highlights TCS's commitment to our business partners and customer base.

Engaging young people

2019 saw us embark on a journey of brand re-invention as Leeds Merion Centre's 'Shop, Eat, Drink and Be Merion!' strategy continued to return the Merion to its status as a retail and leisure destination. Initiating a Leeds shopping centre 'first', an empty space was reinvented to bring three unique immersive experiences to life under the themes of 'educate', 'excite' and 'experience' to appeal to our three target audience groups.

Educate (under 12's)

July-September: Leeds first interactive history experience, Professor Humboldt's Chamber of Time, was a 45-minute totally immersive and action-packed educational encounter where you could experience history first hand throughout the ages during the school summer holiday.

This also coincided with our involvement in the city's first 'Dinosaur Trail' where we played host to a life-size Triceratops as part of the free trail for children visiting the city over the school holidays.

Excite (millennials)

September-October: Leeds first shopping centre scare attraction – The Black Death: Zombie experience! The five-night 60-minute immersive experience was held after hours within the event pop up space and saw groups of up to 80 explore, sneak and scream their way through their very own zombie blockbuster with 20+ live actors, sets and industry leading special effects.

Experience (families)

November-December: Leeds first interactive Christmas 'Ellington' Factory replaced a traditional grotto. This magical immersive adventure saw Elves tinkering to make all things Christmas, before visitors discovered the way to visit the big man himself. FREE trail maps for every visitor guided them to Santa before posting maps for entry into a prize draw.

Corporate responsibility

continued

3 Engaged and committed employees



We have a relatively small team at our Head Office and pride ourselves on how we treat our employees.

We pride ourselves on being a business that has a family feel to it, building a clear culture over our 60 years in business of being a small company that cares for and looks after its employees, creating opportunity and giving accountability. Expectations of staff are high and at times demanding. However we endeavour to always support staff, and go above and beyond any written down HR policy. We like all staff to know that if they have a problem, work-based or personal, that they can talk with the Directors and senior management in the knowledge that the Company will do everything it can to support them. We believe in the concept of opportunity for all, and are intolerant towards any form of discrimination.

Our Non-Executive Director Ian Marcus has taken on responsibility as our Board representative for the wider

workforce. Whenever in the office Ian meets with staff members and during the COVID-19 crisis we have ensured that staff are aware of his role and that he is available to them. Ian's responsibility in this regard enables us to assess the culture and engagement within the business and challenge management where necessary in this regard.

TCS runs a Share Incentive Plan (SIP) scheme available to all staff. Under the HMRC guidelines it is an appealing benefit and helps engage colleagues in the wider success of the business.

Human rights

Although we do not have a separate Human Rights Policy, a respect for human rights is implicit in our employment practices and our engagement with third parties.

Work environment

We continually look for opportunities to improve the work environment for our staff. We have renovated our Leeds head office to create a more modern and comfortable work environment.

In addition, we have improved benefits in recent years for head office staff, improving Company pension contributions above statutory requirements, and introducing a health insurance policy.

We are committed to learning and development and are supporting colleagues through Chartered Surveyor and Chartered Accountant qualifications. We have also given work experience opportunities to local students.

Diversity is important in our business with a 70/30 male to female split across the whole business.

4 Making a positive contribution to the communities we operate in



We contribute to a broad range of local causes, with charities focused on children and young adults particularly close to our hearts. We complement our support for longstanding partners with standalone initiatives. We also seek to improve and create a sense of wider community in our areas of operation, using our assets and resources to work with other community partners:

□ Young people – Ahead Partnership

During the year we continued our well established relationship with the Ahead Partnership social enterprise by hosting a competition for local school children. The children were asked to "Create an Easter themed product/prototype made of recyclable items 'and/or' generate a marketing/social media campaign to discourage the use of single use plastic items".

□ Young people – LEAP

We continued to support young entrepreneurs by being host to not-for-profit organisation The Leeds Enterprise Advisory Programme (LEAP) which runs an enterprise programme for students aged 14–19. Each academic year, teams of students set up their own companies, raise share capital, write a business plan, and select, source and market a product or service which is then sold at one of two events within the Merriam Centre throughout the year.

□ Congratulating LUFC banners

Following Leeds United Football Club's recent promotion to the Premier League during the COVID-19 pandemic, Town Centre Securities, CitiPark and the Merriam Centre congratulated the team in their own, unique way. Banners were erected on Town Centre House and the Merriam Centre which soon appeared on social media as fans posted about the statement pieces that adorned two of our large assets within the heart of Leeds.

□ Recognition for contribution toward regeneration

Burlington House was awarded 'Apartment Development of the Year' (fewer than 100 homes) at the prestigious Insider North West Residential Property Awards 2019. The judges recognised that the development has served as one of the catalysts for further regeneration and development across Piccadilly Basin. TCS has also worked closely with CityCo, the Manchester city centre management company, along with the Mayor's office and the local police to improve security and safety in the Basin. Furthermore TCS has commissioned a street art project to further enhance and improve the area.

□ Award: British Property Federation

Futures Community Engagement – highly commended for the work of our head of CSR Charlotte-Daisy Ziff.

Corporate responsibility

continued

5 Always do the right thing



TCS takes its responsibilities as a listed UK business extremely seriously, and is committed to upholding high standards of corporate governance. Whilst we spend considerable time ensuring we review our compliance against rules, laws and codes, we also spend much time ensuring we abide by the spirit of such requirements and instilling a culture within the organisation of 'doing the right thing'.

Key areas of focus include:

- **Implementing the new Corporate Governance Code** – As detailed on page 64, TCS has worked closely as a Board to review the requirements of the Code and be clear where we believe compliance is necessary and right, and where it is appropriate to explain why we take a different approach.
- **Debenture holders, engagement** – TCS has in place a long-term debenture where most of our day to day contact is with the debenture trustee. Given the nature of the challenges and pressures of COVID-19 on the business Edward Ziff and Mark Dille presented individually to the majority of bond holders to ensure they fully understood the status of TCS and the security of their investment.
- **Health and Safety (H&S)** – We are committed to providing a safe and secure working environment, in our own offices and in our properties, particularly

those – such as the Merriam Centre – where we maintain an on-site management function. We have an established Group health and safety policy, which is approved by the Board annually, and we review health and safety issues and incidents at every Board meeting. The Property Director oversees its implementation, and chairs a quarterly internal meeting reviewing all aspects of H&S across the business as a whole from our offices to our properties, car parks and hotel. We have implemented a new reporting and monitoring system in the past year to facilitate this. Our operational teams have clear health and safety objectives and review procedures regularly, taking action where necessary.

- **Whistleblowing** – We have a whistleblowing policy in place that is reviewed at least annually. We see this policy as an important feature to encourage and enable all staff members to 'do the right thing'.

Sticking to our ESG principles during COVID-19

COVID-19 has allowed TCS to prove its commitment to ESG. The table above lists the main examples, but we set out a few highlights here.

Minimise our environmental impact

As many of our tenants had to shut during the COVID-19 disruption, our property team reviewed lighting times and levels, waste services, and heating and air conditioning usage to ensure we minimised the environmental footprint of our buildings and car parks. This not only had an environmental benefit but also reduced service charge costs for our tenants.

Engage with our external stakeholders

Touch-free technology at 123
The £5m comprehensive refurbishment of 123 Albion Street in Leeds (formerly The Cube) continued throughout the COVID-19 pandemic. This gave TCS a unique opportunity to ensure it met the needs of potential occupiers looking for space in a new, post-COVID-19 business environment.

By using the latest in touch-free technology, the development of the Grade A offices, floorplates and communal areas including showers and storage facilities, cycling storage and EV CarCharge charging points, will feature a virtually touch-free journey through common areas for occupiers and visitors to the building. By installing the latest PIR lighting, contactless lifts, automated doors into the building and offering soap and water dispensers operable on infrared zones, TCS were able to respond swiftly to research showing that occupiers are looking for a touch-free experience and design the building to minimise contact through the main communal areas.

Engaged and committed employees

As well as issuing regular Chairman's updates to staff members, the Board approved a granting of three additional days holiday for those members of staff working through the disruption period, giving them a chance to rest and recuperate following a tough and stressful period.

Contributing to the communities we operate in

TCS supports NHS/key workers
At the outset of the COVID-19 pandemic, TCS responded by launching a series of initiatives to support the NHS. This included free parking with CitiPark and concessionary hotel accommodation at the ibis Styles Leeds City Centre Arena hotel (located close to the LGI) which was one of the only hotels in Leeds to remain open throughout the pandemic.

In addition, TCS also championed schemes set up by our extensive tenant base which included exclusive shopping slots for key workers, the elderly and vulnerable, Iceland, Morrisons, Boots Pharmacy, Heron Foods, Home Bargains, Holland & Barrett, Sing-Kee Supermarkets, the NHS Sexual Health Clinic and

Wilkos all remained open, with TCS advocating specific tenant projects including the award winning My Thai who operated a 'soup kitchen' service that served food to key workers and the vulnerable that were unable to leave their homes.

Always do the right thing

TCS made use of the government furlough scheme, furloughing 53 individuals and topping up salaries to ensure all members of staff received 100% of their salary. In addition the Board of TCS also agreed to a 20% reduction in salaries and fees for six months.

Financial review

COVID-19 has materially impacted financial performance in FY20 and uncertainty remains. However, the strength of our portfolio has delivered good levels of rent receipts allowing TCS to think strategically about the future.

Mark Dilley
Group Finance Director

EPRA earnings in the year were £2.1m. This is the first year that the financial statements are presented in accordance with IFRS 16 which affects how we account for leases that we have entered into. For a full explanation of the effect and implications see page 48. As a result of the changes relating to this standard we are introducing an additional income statement measure of Adjusted EPRA earnings which removes the effect of IFRS 16 making the results directly comparable with the prior year's financial statements which have not been restated. Adjusted EPRA earnings in the year were £2.6m, down £3.7m on the prior year.

COVID-19 has had a material impact on our financial performance, and we estimate a total impact to earnings in the year of £3.6m. We estimate that our Investment Property business has been impacted by £1.2m, primarily as a result of bad debt provisions associated with non-payment of rental income and service charges. The impact to our CitiPark business is £2.0m due to a significant reduction in car parking income with many fixed costs, such as rent and rates. Our ibis Styles hotel has been impacted by £0.4m in the year.

With adjusted EPRA earnings in the year 59% lower than last year, and with pressure on cash flow and headroom we have had to make the very difficult decision to reduce our dividend for the first time in our history. The unprecedented impact of COVID-19 and the level of uncertainty that has arisen means we believe this is the only responsible action to take for the sake of the long-term prosperity of the Company. The final dividend for the year will be 1.75p per share, giving a full year dividend of 5.00p per share.

The impact of COVID-19 disruption has prompted the Company to revisit its strategy, and agree to an acceleration of the retail and leisure disposal programme, albeit only at sensible values. Whilst the Board has yet to finalise plans for the use of the disposal proceeds, it is anticipated that TCS will look to reduce borrowing levels further. This, combined with the inevitable gap between asset sales and any asset purchases, will lead to a longer period of reduced earnings which will inevitably lead to a lower level of dividend payment than in recent years.

Income statement

EPRA Earnings for the year ended 30 June 2020 were £2.1m. Adjusted EPRA earnings (removing the effect of IFRS 16) were £2.6m down on the prior year profit of £6.4m.

£000s	FY20 Inc IFRS 16	FY20 exc IFRS 16	FY19	YOY
Gross Revenue	26,702	26,702	31,189	(14.4%)
Property Expenses	(10,643)	(11,149)	(11,600)	(3.9%)
Net Revenue	16,059	15,553	19,589	(20.6%)
Other Income / JV Profit	2,018	2,018	1,649	22.4%
Other Expenses	(777)	(777)	0	-
Administrative Expenses	(6,197)	(6,197)	(6,857)	(9.6%)
Operating Profit	11,103	10,597	14,381	(26.3%)
Finance Costs	(9,009)	(7,975)	(8,025)	(0.6%)
EPRA Earnings	2,094	2,622	6,356	(58.7%)

Segmental	FY20 exc IFRS 16	FY19	YOY
1 Property			
Net Revenue	11,676	13,970	(16.4%)
Operating Profit	7,830	9,725	(19.5%)
2 CitiPark			
Net Revenue	3,740	5,388	(30.6%)
Operating Profit	2,630	4,425	(40.6%)
3 ibis Styles Hotel			
Net Revenue	137	231	(40.7%)
Operating Profit	137	231	(40.7%)

Excluding the estimated impact of COVID-19 on our results, underlying Adjusted EPRA earnings would have been circa £0.1m down year on year with the key drivers being:

1 Property (£0.7m) down year on year underlying:

- ☐ TCS took the decision not to continue with the planned George Street apartment joint venture with Leeds City Council and the income statement reflects a £0.8m provision against the capital expenditure. We are looking for opportunities to recover some of this cost.
- ☐ As reported at the half year, TCS benefited from a one-off £0.5m dilapidations payment in respect of 123 Albion Street. As expected, the benefit of this increase in Other Income has been offset as a result of the reduction in rental income year on year from the building as it was redeveloped and significantly vacant.

2 CitiPark £0.2m up year on year underlying:

- ☐ This underlying improvement was seen in the first half of the year reflective of the previously strong run rate.

3 ibis Styles Hotel £0.3m up year on year underlying:

- ☐ One-off costs associated with the change in the restaurant in FY19 meant an expected and significant increase in profitability year on year in FY20, and this was indeed being achieved in the first eight months of the year.

In addition, interest costs were £0.05m lower year on year.

Financial review

continued

Statutory profit

On a statutory basis the reported loss for the year, on an IFRS 16 basis, was £24.2m, £11.7m worse year on year.

The statutory profit reflects the EPRA earnings of £2.09m less £26.42m of non-cash valuation and impairment movements plus a £0.17m profit on disposal from Brownsfield Mill, Manchester and two properties in Scotland.

The year on year worsening of £11.7m is due to the valuation write down being £8.31m worse, underlying EPRA earnings being £3.73m worse, disposals improving the result by £0.88 year on year and the introduction of IFRS 16 impacting FY20 by £0.53m (see following IFRS 16 section).

Gross revenue

Gross revenue was down £4.5m or 14.4% year on year, with key drivers being:

- Property rents impacted by COVID-19 with £1.3m of net incremental bad debt provisions where no agreement has been reached on payment of outstanding rent or where payments have agreed to be deferred but doubt remains over the likelihood of receipt and therefore the income has not been recognised.

- CitiPark revenues were materially reduced due to COVID-19 from March through to the end of the year. Whilst some monthly subscription income kept being received, daily receipts were down over 90% with half of the branches being closed for the period. The estimated impact to revenue is £2.3m.

- Income for the ibis Styles hotel was impacted by COVID-19 by an estimated £1.0m

- Underlying improvements in income, particularly in CitiPark and the Hotel marginally offset the impact of COVID-19.

Property expense

At a Company level, property expenses excluding the effect of IFRS 16 were down 3.9% or £0.45m year on year. Key drivers of this underlying decrease were:

- **Property:** operating expenses were £0.47m higher year on year predominantly due to a one-off write-off of historic service charges now deemed to be irrecoverable.
- **CitiPark:** operating expenses were £0.31m lower year on year primarily as a result of savings initiated as a result of COVID-19 including furlough savings, reduced rates costs where branches were closed, and operational cost savings due to the significantly reduced level of transactions.

- **ibis Hotel:** operating expenses were £0.62m lower year on year, driven primarily by the response to the COVID-19 crisis. Whilst the hotel operated at all times, supporting key workers, the operation was able to reduce variable operating costs including the furloughing of some staff.

- In addition, the implementation of IFRS 16 reduced property expenses by a further £0.51m with the removal of certain rental expenses partly offset by depreciation of the newly created 'right-of-use' assets.

Other / JV income

Total Other / JV income was up 22.4% or £0.4m year on year. This is explained by two key items:

- Dilapidations income of £0.6m was £0.6m up year on year mainly as a result of the dilapidations payment in respect of 123 Albion Street, Leeds.

- Income from joint ventures was down £0.3m year on year driven by the annualisation of the financing agreement in respect of Merriion House, where our share of income is reduced by the effective interest cost.

Other expenses

This cost is due to a one-off provision against capitalised costs associated with the proposed George Street aparthotel joint venture with Leeds City Council. TCS incurred £0.8m of cost associated with getting the building designed and through planning approval. Our intention was to be a long-term partner in the joint venture. However, given the current climate, we have been unable to secure a commitment to use our share in the joint venture as security for debt. Without being able to leverage the asset and with a need for the project to proceed, we have taken the decision to end our involvement and provide against the spend to date. We are working with partners involved in the project to look to hand over the output of our work in return for a financial contribution towards our costs, albeit nothing yet has been agreed.

Administrative expenses

Administrative costs were £0.7m lower year on year. This includes £0.1m for the last quarter as a result of all the Directors agreeing to a 20% salary and fees cut. There is a further £0.2m saving year on year in bonuses. Further savings arose as a result of significantly reduced spend on advertising, travel, entertaining and other expenditure as a result of our response to COVID-19.

Finance costs

Excluding the effect of IFRS 16, Finance costs were 0.6% or £0.05m lower year on year. This is due to lower levels of LIBOR year on year.

Balance sheet

The below table shows the year end balance sheet as reported including the IFRS 16 implementation. In addition it is shown excluding IFRS 16 to allow for a like for like comparison with the prior year.

Excluding IFRS 16 NAV is £156.0m, down £32.3m or 17.1% year on year. IFRS 16 has the effect of reducing NAV by £0.5m but more significantly materially increases both assets and liabilities reflecting the creation of the 'right-of-use' assets and the corresponding lease liabilities.

£m	FY20 Inc IFRS 16	FY20 exc IFRS 16	FY19	vs FY19
Investment properties*	266.4	265.8	288.0	(7.7%)
Development properties	37.8	37.8	36.5	3.4%
Car parks	56.8	31.0	30.7	0.8%
	361.0	334.6	355.2	(5.8%)
Joint ventures	13.8	13.8	13.4	2.6%
Other non-current assets	1.1	1.1	1.6	(30.9%)
Total non-current assets including available for sale	375.3	349.4	370.2	(5.6%)
Net borrowings	(214.2)	(186.9)	(182.0)	2.7%
Other assets/(liabilities)	(6.1)	(6.5)	(0.0)	-
EPRA NAV	155.5	156.0	188.3	(17.1%)
EPRA NAV per share	292p	293p	354p	(17.1%)

* includes assets held for sale

All the following commentary in relation to the balance sheet is on a comparable basis to prior year excluding the effect of IFRS 16. See page 48 for detail on the effect of the new standard on the statutory accounts. In addition, in the reported balance sheet we have classified our two Waitrose stores in Scotland as available for sale with a value of £23.2m. At the 30 June 2020, heads of terms for the sale of these properties has been agreed hence their change in categorisation. These stores were subsequently sold after the year end. For comparability purposes, the numbers in the table above and described below include these properties in non-current assets.

Our total non-current assets (including JVs) of £349.4m (2019: £370.2m) include £317.4m of investment properties (2019: £337.9m) and £31.0m of non-current car parking assets (2019: £30.7m). The Merriion Centre car park is included in the investment property asset value. The car parking assets include £4m (2019: £4m) of goodwill arising on business combinations.

The most significant driver of the decrease in non-current assets year on year is the £26.3m of non-cash valuation movements reflecting a 6.9% like for like reduction. The majority of this reduction has come in the second half of the year, and is significantly affected by the uncertainty due to COVID-19, particularly in relation to retail and leisure assets. At the December 2019 valuation TCS experienced only a 1.2% like for like reduction in value from June 2019.

Although we paused the vast majority of our capital expenditure from March onwards in order to preserve cash during the initial uncertainty of the COVID-19 crisis, across the year we invested a total of £6.0m of capital expenditure in our properties. This included £3.3m as part of the refurbishment of 123 Albion Street, £1.0m as part of the Ducie House refurbishment and £0.6m of improvements in the Merriion Centre. Capital recycling comprised £2.5m of sales and £1.7m of purchases.

Borrowings (excluding IFRS 16)

As in previous years we have total borrowing facilities of £214m. These facilities comprise three revolving bank facilities and a £106m long-term debenture at a fixed rate of 5.375% which expires in 2031.

Two of the three bank facilities expire within twelve months of the year end and are therefore classed as current liabilities in the balance sheet. Since the year end we have already extended our £33m facility with NatWest for a further year on the same terms and margin, and this facility now expires in April 2022.

Our Lloyds Bank facility's initial three-year term expires in June 2021. However the facility allows for two one-year extensions and this is currently in the process of being requested. The Lloyds facility is a £35m revolving credit facility with a further £5m overdraft facility.

Finally, our £35m Handelsbanken facility does not expire until June 2023.

Financial review

continued

Borrowings (excluding IFRS 16) (continued)

Net borrowing (excluding finance leases) as at 30 June 2020 was £163.6m. This is £5.8m higher than a year ago driven effectively by the £6.0m capex investment with earnings impacted by the COVID-19 crisis.

Loan to value on this basis is 53.2% up from 48.8% a year ago and 48.5% in December 2019. The driver of the increase being the £26.3m reduction in value of the investment portfolio. On a proforma basis, the addition of the £35.2m of sales since 30 June 2020 improves LTV to 47.9%.

IFRS 16

As stated above, these financial statements are presented in accordance with IFRS 16. Under IFRS 16, while total lease related charges over the life of a lease remain unchanged, the lease charges are now characterised as depreciation and financing expenses with higher total expense in the early periods of a lease and lower total expenses in the later periods of the lease. In addition, on the balance sheet, the accounting treatment has the effect of creating new assets on the balance sheet for these 'right-of-use' leased assets, partly offset by a liability reflecting the future obligation to make lease payments. On the balance sheet, as with the income statement, the effect is neutral over the life of the lease but lowers net asset value in the early periods, reversing over time.

The leases effected by the change in accounting treatment reside primarily within the CitiPark segment of our financial results, flowing into the consolidated results.

In the twelve months ended 30 June 2020 the effect of IFRS 16 is as follows:

Income statement

A net reduction in statutory profit (and EPRA Earnings) of £0.53m, comprising a £1.14m increase in depreciation and a £1.03m increase in interest costs, partly offset by a £1.65m reduction in rental expenses.

Balance sheet

A net reduction in net assets of £0.53m, comprising a £26.40m increase in non-current assets, offset by a £26.62m increase in financial liabilities and a £1.31m increase in current liabilities.

As a result of these changes we are introducing an additional income statement measure of Adjusted EPRA Earnings which removes the effect of IFRS 16 making the result directly comparable with the prior year's financial statements which have not been restated.

Given the effect on the balance sheet is minimal, accounting for only 0.34% of the total net assets we shall only report on net assets including the IFRS 16 adjustment. However, both non-current assets and liabilities are materially affected, and we shall highlight pre and post IFRS 16 values for clarity and comparison purposes.

Future financial considerations

Future P&L pressure

As highlighted elsewhere in this report, we have not escaped the impact of COVID-19 and changing shopping habits, particularly affecting retail and leisure tenants, and, given the current climate, it is prudent to assume that this risk will continue. We are prudently assuming that over the coming two quarters that rent receipts will continue to be challenged.

As already described, we have made the decision to accelerate our retail disposal programme, and this is likely to put future earnings under pressure. The Board is reviewing options for how the proceeds of such sales could be utilised including debt repayment, asset purchases and share buybacks.

Whilst the reduction in the dividend in the current year is due to the impact of COVID-19, the combination of likely shortfalls in rent receipts over the coming quarters and loss of income due to disposals are likely to lead to continued pressure on our ability to pay a higher covered dividend.

Future balance sheet and covenant pressure

As described in the valuation report, the circumstances relating to COVID-19 have led to our valuers CBRE and JLL including uncertainty clauses as part of their valuations in relation to the majority of our assets. As identified in the Risk Report, we have highlighted the continued pressure on retail and leisure assets to be a significant risk to the business. Whilst we comfortably met all of our banking and debenture covenants as at 30 June 2020, the revaluation process in December 2020 presents a further risk to loan to value covenants.

Our expectation is that continued asset sales and debt repayments, combined with the strength of our underlying asset base, the Merriem Estate in particular, will ensure we are able to successfully navigate these challenges. The risk however remains significant.

Going concern and headroom

One of the most critical judgements for the Board is the headroom in the Group's debt facilities. This is calculated as the maximum amount that could be borrowed, taking into account the properties secured to the funders and the facilities in place.

The total headroom at 30 June 2020 was £14.8m (2019: £26.1m), which was considered to be sufficient to support our going concern conclusion.

Total shareholder return and total property return

Total shareholder return of minus 50.4% (2019: minus 25.0%) was calculated as the total of dividends paid during the financial year of 11.75p (2019: 11.75p) and the movement in the share price between 30 June 2019 (205p) and 30 June 2020 (95p), assuming reinvestment of dividends. This compares with the FTSE All Share REIT index at minus 10.1% (2019: minus 5.2%) for the same period.

Disappointingly TCS has seen its share price come under significant pressure despite the dividend performance over the measured timescales. The Company's share price continues to trade at a significant discount to its NAV, impacting total shareholder return. The long-term twenty-year measure remains positive.

Total property return is calculated as the net operating profit and gains / losses from property sales and valuations as a percentage of the opening investment properties.

Total property return for the business for the reported 12 months was -2.1% (2019: 1.3%). This compared to the MSCI/IPD market return of -2.9% (2019: 3.1%).

A key driver of the All Property MSCI index being higher than TCS is due to the strong market performance of industrial property of which TCS has only a small amount.

Mark Dille
Group Finance Director

Total shareholder returns % (CAGR)

Total shareholder returns	1 Year	10 Years	20 Years
Town Centre Securities	(50.4%)	0.8%	5.0%
FTSE All Share REIT index	(10.1%)	8.1%	2.3%

Total property returns

	TCS	MSCI Quarterly Index
Retail	(7.8%)	(12.7%)
Retail Warehouses	(4.3%)	(14.9%)
Shopping Centres	(5.5%)	(22.8%)
Offices	3.4%	1.4%
All Property	(2.1%)	(2.9%)

(12 months ending June 2020)

Risk Report

Protecting value by identifying and managing our principal and emerging risks is an integral part of our operations.

Risk management

We take risk management very seriously, such that reference to, and consideration of, key risks form part of the day to day workings of the Company. Whilst we recognise that a level of risk taking is inherent within the running of a commercial enterprise, we work to ensure that risk assessment and mitigation is central to business planning and decision-making. The business has a number of formal meetings during the year where risk assessment is a core element of the agenda. We pay particular attention to new and emerging risks, in order to ensure we put in place actions which attempt to remove or reduce risk before it occurs. We use our formal meeting structures to identify emerging risks, as well as highlighting existing risks.

These meetings include but are not limited to:

- **Annual Strategy Review** – Begins with a review of key risks facing the business and a review of how the strategy will best mitigate those risks.
- **Bi-annual Audit Committee** – Undertakes a formal review of the risk register and mitigating action plans.
- **Quarterly IT & Data Governance Committee** – Chaired by the Group Finance Director, this committee of senior management reviews IT and data specific risks and ensures that key risks are understood and managed. This includes a review of adherence to the GDPR regulations.
- **Monthly Board Meetings** – Each meeting includes a review of financial performance, debt levels and banking covenants, an IT update, and a review of the papers and actions from the Property Review Group.
- **Monthly Property Review Group** – A meeting of the Executive Board and senior Property and Finance management, tasked at undertaking a review of the property portfolio. This includes occupancy levels, tenancy changes, adherence to payment terms and bad debt levels, and Health and Safety and IT related matters.
- **Monthly CitiPark Board Meeting** – A meeting of the Executive Board and senior CitiPark, Property, and Finance management, tasked at reviewing the performance of the CitiPark business, including key risks and areas such as IT and Health and Safety.
- **Joint Venture Board Meetings** – Formal Board structures and quarterly Board meetings are in place for the Company's two main joint venture companies; Merriem House LLP and Belgravia Living Group Ltd.
- **YourParkingSpace.co.uk ('YPS')** – Following investment in YPS, TCS Board Directors sit on the Board of YPS, which meets formally on a bi-monthly basis.

Our Principal Risk Register is summarised as follows:

	Risk	Likelihood	Impact	Change from FY20
Macro Economic	Economic & Political Outlook	High	Medium	No Change
Corporate	Strategy	Medium	High	Worsening
	People	Low	High	No Change
	Systems, Process & Financial Management	Medium	High	No Change
	GDPR	Medium	High	No Change
	Regulatory & Tax Framework	Low	High	No Change
Property	Major Incident & Business Disruption	High	High	Worsening
	Investment Risk	Medium	Low	No Change
	Development Risk	High	High	Worsening
	Valuation Risk	High	Medium	Worsening
	Tenant & Sector Risk	High	High	Worsening
Financing	Capital & Financial Risk	Medium	High	Worsening
	Cost of Debt	High	Medium	No Change

COVID-19

Whilst the above meeting structure has and will continue to form a key part of our risk management process, the impact of COVID-19 has been unprecedented and unpredictable. Consequently we have significantly increased our risk management activity to take account of this. That activity has included:

- Weekly full Board video calls to review the impact of COVID-19 on the business and to agree on key actions.

- Weekly Non-Executive Board video calls with the Chairman to follow up on actions agreed at the Board meeting, to review wider market activity, and to ensure the Non-Executives are fully engaged in the actions of the business.

- Twice or three times weekly senior management video calls – operational meetings to review all aspects of the business including staff matters and wellbeing, rent collections, car parking volumes, tenant discussion, cost saving initiatives, and IT considerations.

- A review of the strategy and the decision to speed up the disposals of predominantly retail assets.

- Formal presentations to our debenture holders by Edward Ziff and Mark Dillely, to ensure they understood the impact of COVID-19 on TCS and the security of their investment.

- Regular updates with our three banks updating them on rent receipt levels and car parking performance and in the case of NatWest and Lloyds discussion facility extensions.

Viability statement

In accordance with the requirements of the UK Corporate Governance Code, the Board have assessed the prospects of the Company and future viability over a period longer than the 12 months required by the Going Concern provision. In previous years this review has been as part of a longer-term three-year strategic planning exercise. In the current year, as a result of the COVID-19 disruption the Board have undertaken an even more rigorous scenario-based review of potential outcomes but over a slightly shorter two-year period. The opinion of the Board being that if we are comfortable with our viability assumption over that period with the additional COVID-19 related scenario considerations that longer-term viability beyond the two-year period could reasonably be assumed.

The Board's review considered cash flows, profitability, borrowing levels, and headroom following a significant asset sale programme. and required the business to have clarity on its approach to bank financing over a longer period.

In taking this longer-term perspective, the Board considers the risks covered in this Risk Management review. In particular the key risks identified are:

- The potentially lasting effect of COVID-19 on our assets, tenants, hotel operation, car parking operations, and the wider economy.
- Further changes in the macro-economic environment affecting rental income levels and property values.

- Changes in the level of tenants and sector risk affecting occupancy levels and lettings.
- Changes in availability of capital, affecting committed expenditure and investment transactions.

The review also considered alternative scenarios. These scenarios included:

- A range of levels of rent receipts affecting quarterly income up to the end of June 2021.
- A range of levels of car parking income affecting profitability up to the end of June 2021.
- The potential of a longer-term, more permanent impact to rental levels particularly with respect to retail assets.
- The effect on cash, borrowing levels, and headroom following a significant asset sale programme.
- Cost savings assumptions were deliberately restricted to the current year for prudence although longer-term savings would be envisaged given the downside scenarios.

Aligned to our Going Concern statement the greatest uncertainty and risk lies in relation to our asset valuations and the possibility of breaching bank and debenture covenants. Given the current circumstances this uncertainty will continue beyond the shorter-term future covered by the Going Concern statement.

Based on the results of their review whilst taking into account the level of uncertainty, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the longer-term period of their assessment.

Going concern statement

The accounts for the year ended 30 June 2020 have been prepared on a going concern basis. In light of the current COVID-19 pandemic the Directors have considered various downside scenarios in assessing the Group's ability to continue as a going concern. Despite the potential negative economic impacts and the

uncertainty in respect of the timeline for recovery, the scenarios reviewed confirm the appropriateness of preparing the financial statements on a going concern basis. The most material risk concerns the impact of the COVID-19 pandemic on the valuation of the property portfolio and our ability to meet gearing covenants. Whilst a significant risk, the Group

does have potential mitigants at its disposal to address these uncertainties which include, but are not limited to, further disposals of assets, pledging as additional security unpledged properties currently valued at £4.8m million as 30 June 2020 and seeking lender consent to an extension of financial covenant waivers to cover extended periods of disruption.

Risk Report

continued

Macroeconomic risks

Risk	Likelihood	Impact	Mitigation	Trend
Economic and political outlook A broad economic downturn, potentially as a result of the conclusion of Brexit, or broader cyclical reasons could result in tenant failures, falling asset values, rising debt costs, or less debt availability. In addition the ongoing potentially lasting impact of COVID-19 and the longer-term effects of the actions taken by Government to manage the disruption will in all likelihood have lasting economic effect.	M	M	An economic downturn at some point in the cycle is inevitable, with the risk accentuated as a result of uncertainty around the final shape of post-transition Brexit. In addition the impact on the longer-term economy resulting from COVID-19 has to be a consideration. TCS would not escape the impact of an economic downturn, however specific mitigating factors for TCS include: <ul style="list-style-type: none">Rents paid in advance.Market leading level of occupancy and a long history of ensuring on-time payment by tenants pre-COVID-19.A reduced and reducing level of retail exposure, with much of the remaining portfolio focused on discount and convenience retailing.Avoidance of speculative developments.Concentrated portfolio of car parks in highly sought-after locations.Bank agreements ranging from one to three years in length, and the long-term debenture accounting for c. 60% of our debt.	→

Corporate risks

Risk	Likelihood	Impact	Mitigation	Trend
Strategy The Company's strategy could be inappropriate for the current stage of the property cycle and the economic climate, resulting in lower profits and therefore a pressure on dividend and shareholder return. This risk has been exacerbated by COVID-19 due to increased debt levels and the subsequently changed attitudes towards property usage.	M	M	The Board undertakes regular reviews of the strategy and believe the following help mitigate risk: <ul style="list-style-type: none">All key decisions are reviewed and approved at Board level.The strategy of developing diverse multi-use sites and lowering exposure to retail remains appropriate.The strategy to sell retail and leisure assets has been accelerated following COVID-19.The experience and expertise of the team, particularly in relation to the property markets of Leeds and Manchester.The presence of the Jiff Concert Party ensures a strong alignment of management and shareholder aims.	↓
People The inability to attract and retain high calibre staff, affecting the ongoing success of the Company.	L	M	The Company benefits from the long service of a number of key individuals, including family members of the Concert Party, which helps guarantee stability. In addition: <ul style="list-style-type: none">Base salary packages are kept competitive within the market.The Remuneration Committee reviews succession plans and pay levels annually.New recent appointments demonstrate the attractiveness of the business to new recruits at all levels.A history of conservative financial management combined with the development opportunities of the business make the Company attractive to new recruits.	→

Likelihood	H High	M Medium	L Low
Impact	H High	M Medium	L Low
Change from HY20	↑ Improving	→ No Change	↓ Worsening

Corporate risks (continued)

Risk	Likelihood	Impact	Mitigation	Trend
Systems, processes and financial management Weak controls putting at risk the protection of the Company's assets and ability to deliver on its strategy, resulting in financial loss, fraud, and suboptimal returns. Risk to data and systems as a result of cyber-attacks.	M	M	The Company has a strong culture of safeguarding assets, being conservative in its approach, and using professional experts to ensure risk levels are low: <ul style="list-style-type: none">IT systems are supported in house, with key services having been moved to the cloud.Horizon is our combined property and accounting IT solution ensuring we remain well controlled in this respect. This has been upgraded and moved onto the cloud, further safeguarding business continuity.Financial processes relating to cash are tight, robust, and reviewed regularly. Clear and separated authorisation processes are in place and robustly adhered to.Insurance policies are fully in place to safeguard assets.Staff are trained in all aspects of cyber security and penetration, and phishing tests are carried out to test for weaknesses.A summary of the internal financial control review processes can be found in the Audit Committee report of the Annual Report.	→
GDPR Financial and reputational risk arising from a breach of GDPR regulations, potentially resulting in fines and damage to customer trust.	M	H	Given the nature of the business we do not hold significant amounts of customer data, with the CitiPark business our highest risk area. That said, the Company has taken seriously the requirements of the legislation and has implemented a detailed action plan that has been reviewed at Board level. Key aspects include: <ul style="list-style-type: none">Updated all Privacy related statements and policies.Trained all staff on theirs and the Company's responsibilities.IT & Data Governance Committee in place, meeting quarterly, to oversee all aspects of GDPR and wider cyber security.	→
Regulatory and tax framework Non-compliance with tax, legal, or regulatory obligations could result in financial penalties, reputational damage, and higher levels of cost.	L	H	The Company takes its legal responsibilities seriously. Matters are reviewed regularly at Board and Audit Committee level, and the Company makes use of third-party professional services to ensure compliance. Actions include: <ul style="list-style-type: none">Link Company Matters engaged as formal Company Secretary to provide advice and recommendations to the Company and attend Board meetings.PWC are engaged as the Company's tax advisors and are tasked with ensuring we remain compliant in all aspects of Tax.The Corporate and Criminal Offences legislation (CCO) is a key consideration and a workshop has been held to ensure risks and mitigating actions are clearly understood.	→
Major incident/ business disruption Cost and business down-time as a result of a major incident. This risk is primarily associated with the Merriem Centre, due to its importance to the portfolio and as the location of Company's head office. This risk has been exacerbated as a result of the COVID-19 disruption.	M	M	The provision of insurance across the portfolio is the main mitigation to this risk, with policies in place to protect income as a result of disruption. In terms of disruption to the head office the following actions are in place, all of which have ensured our ability to function fully during the COVID-19 disruption: <ul style="list-style-type: none">All personnel either have laptops or have technology at home which enables remote working.Our geographical focus in Leeds and Manchester enables a hands on approach with the majority of our properties and tenants is possible.Back up procedures are in place to ensure minimal loss of data in the event of damage to IT hardware.Horizon and email (Microsoft 365) have been moved to a cloud-based technology significantly improving business continuity.	↓

Risk Report

continued

Property risks

Risk	Likelihood	Impact	Mitigation	Trend
Investment risk New investment opportunities cannot be sourced at economic prices.	M	L	The Company has clear plans in place to minimise the impact of this risk, including: <ul style="list-style-type: none"> The Company typically targets assets of higher value than sought by individual investors, but lower than many larger property or overseas investors. The Company looks to build strong relationships with partners to generate opportunities that can be exploited together. For example, our Belgravia Living PRS venture. The existing portfolio has enough development potential to provide growth opportunities even if asset purchase prices rise. 	—
Development risk Development projects may exceed cost estimates and/or newly developed properties may fail to rent. The scale of such projects means they are of material size to the Company. With the property market in a state of flux in the current climate any long-term investment with significant capital required represents a heightened level of risk.	H	H	The Company has numerous actions in place to mitigate such risks including: <ul style="list-style-type: none"> Build projects are generally contracted with third parties on a fixed cost basis. Where possible, the Company seeks to undertake a development where there is a significant level of pre-let commitments. Where that is not possible (e.g. PRS residential investments), a detailed market analysis will be undertaken, and the Company will ensure that locations are in high demand and that target rental levels are achievable. When in Joint Venture, formal Board structures are created with at least quarterly meetings to review progress and performance, and to ensure that all development risks are being managed appropriately. 	↓
Valuation risk A material devaluation in assets. This is particularly high in relation to retail assets due to the changing nature of shopping habits that has been accelerated by COVID-19.	H	M	The key mitigation to this risk is ensuring there is enough headroom in terms of unchanged assets of undrawn, charged facilities. Key actions include: <ul style="list-style-type: none"> Our Handelsbanken facility doesn't expire until June 2023, we have recently extended our NatWest facility until April 2022, and our Lloyds Bank facility has the ability to extend for a further two years beyond its initial June 2021 maturity date. All three facilities now allowing charging of development and car park assets, maximising our drawdown ability. In addition, Lloyds facility has removed any cap on such assets. Asset cover in the long-term debenture can drop to 1.5x without triggering a covenant break. The Company recycles assets believed to be at greatest risk of devaluation, and has undertaken an acceleration in its disposal of retail assets. 	↓
Tenant and sector risk Individual tenant failures, or exposure to a specific sector. This risk has been heightened by the impact of COVID-19 particularly on retail and leisure tenants.	H	H	There have been an increasing number of CVAs and administrations within the retail sector. Furthermore due to the requirement for many retail and leisure tenants to close for an extended period during the COVID-19 crisis, their ability to pay rent and to remain a going concern remain a concern. TCS are taking a number of actions: <ul style="list-style-type: none"> Since 2016 the Company has significantly reduced its exposure to retail from 70% to 47% of value at June 2020. Now a mixed-use asset, the Merriem Centre now depends upon mall retail for less than 25% of its income. We have a diversified tenant base, and limited exposure to individual tenants. Our top tenants are Leeds City Council, Waitrose and Morrisons. In normal times, CitiPark income helps further mitigate the reliance on specific property tenants. We have granted many of our tenants rent free periods or other concessions during the COVID-19 crisis with the aim of helping ensure they are able to continue trading and remain valuable tenants post COVID-19. The arrangements finalised after the year end. 	↓

Likelihood	H High	M Medium	L Low
Impact	H High	M Medium	L Low
Change from HY20	↑ Improving	— No Change	↓ Worsening

Financing risks

Risk	Likelihood	Impact	Mitigation	Trend
Capital and financial risk The Company has insufficient funds/lines of credit. With debt levels increasing and property valuations decreasing as a result of COVID-19 this area of risk has increased.	M	H	The majority of mitigating actions are contained within the Valuation risk category above. In addition: <ul style="list-style-type: none"> The Board reviews cash balances, forecast cash flow, borrowing levels and headroom on a monthly basis. The Company demonstrated during the last downturn the strength of its conservative approach and longstanding relationships with its banks. The Company has extended its NatWest facility by one year and is in the process of extending the Lloyds Bank facility. The Company's policy of accelerating asset sales will enable a reduction in absolute debt levels. 	↓
Cost of debt Rising debt costs.	H	M	The following actions help mitigate the risk to the Company: <ul style="list-style-type: none"> More than 50% of debt is in the form of fixed, long-term debenture borrowing in place to 2031. The recent extension of the NatWest facility has been agreed with no change to terms or cost. The Company has a significant amount of income to interest headroom. The Board takes moving Libor rates into account when considering three-year budgets and affordability. The business is in the process of discussing with our banks the process of replacing LIBOR as it ceases to be used in banking facilities. 	—

This Strategic Report and the information referred to herein was approved on behalf of the Board on 22 September 2020.

Dr. Edward Ziff OBE DL
Chairman & Chief Executive

Corporate governance

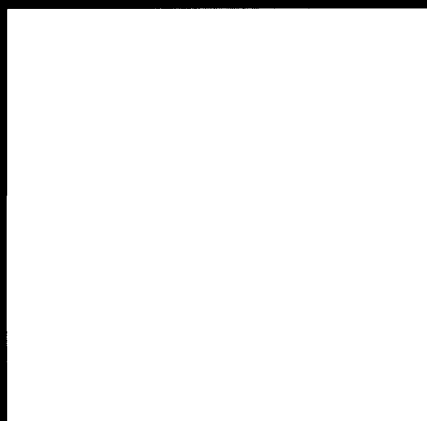
02. Corporate governance

Introduction from Chairman	56
Board of Directors	58
Nomination Committee Report	68
Audit Committee Report	68
Directors' Remuneration Report	72
Directors' Report	80
Statement of Directors' responsibilities	82

Introduction from Chairman

The Board has taken steps over the last eighteen months to implement the new 2018 UK Corporate Governance Code (the 'Code') in a way that is appropriate for Town Centre Securities.

Dr. Edward Ziff OBE DL
Chairman & Chief Executive



This year we have produced a section 172 statement demonstrating how Directors have discharged their duties to the Company's stakeholders. This statement can be found on pages 32-33.

Wherever possible, the Board seeks to comply with the Principles set out in the 2018 UK Corporate Governance Code (the 'Code'). However, the Board takes a pragmatic approach and, because of the size and nature of the Company, makes a carefully considered judgement about how it should apply the Code. The Board keeps this under regular review and decisions on these matters are made by the Board taking into account the best interests of all stakeholders.

The Board currently consists of three independent Non-Executive Directors who, as well as contributing invaluable support and guidance, offer significant challenge to me and the other Executive Directors. The Board's focus this year had been on long-term strategy but in recent months this has moved to the difficult economic environment resulting from the COVID-19 pandemic. Whilst this has led the Board to consider some short-term issues, it is of critical importance that the Board now considers the medium and long-term strategy.

The independent Non-Executive Directors have provided robust challenge and this has been particularly important over the recent months. In addition to our regular scheduled Board meetings, I have held weekly meetings with the Non-Executive Directors which has been of invaluable help. I am grateful to each of them for the additional time they have given to the Company whilst accepting a temporary 20% reduction in their fees.

We are sorry that Lynda Shillaw left the business at the end of August 2020, and we wish her well for the future. We are not replacing Lynda directly but have made two new appointments which are detailed in the Nomination Committee report on page 66.

We report below in more detail why the Board continues to believe that it is appropriate for the roles of Chairman and Chief Executive to be combined. Clearly, the Board is aware that this is not in compliance with the Code and recognises that a number of shareholders will have concerns about this. It is a matter which the independent Non-Executives keep under continual review and will continue to keep under review to ensure that it is in the best interests of the Company's stakeholders. The presence on the Board of key executive management provides the Non-Executive Directors with direct access to these major functions rather than through the Chief Executive. In addition, the three independent Non-Executives are extremely rigorous in their review of my performance as Chairman focusing on ensuring the Chairman:

- ☐ demonstrates objective judgement and promotes a culture of openness and debate; and
- ☐ facilitates constructive Board relations and the effective contribution of all Non-Executive Directors.

The independent Directors are firmly of the view that my holding the combined role of Chairman and Chief Executive continues to be in the best interests of the Company. Whilst the combined role remains appropriate for the time being, with me being in a unique position - my father having founded the Company and the Ziff family being the largest shareholder overall - the Board will continue to review the situation on a regular basis.

I also wanted to take the opportunity to directly address the issue concerning the number of independent Non-Executive Directors. Currently less than at least half the Board are independent (as required by the Code). However, given my combined role as Chair/CEO, the Board agreed that including wider management representation on the Board, for example the CitiPark Managing Director and previously the Property Director, would allow

the Non-Executive Directors to have greater access to those parts of the business. This provides more opportunity for a robust assessment of the Company at a level aside from the CEO. This level of representation of management and increased access for robust challenge by Non-Executive Directors is highly unusual at Board level and without this wider representation, the Board would meet the requirement of at least half the Board being independent. Again, this is a matter which the independent Directors have reviewed and concluded that given the size of the Company, three independent Directors is appropriate and that to change the composition of the Board would at this point be disruptive and add unnecessary cost. This is a matter that will be kept under review and is covered specifically in the Board evaluation exercise. The Board will however consider increasing the number of independent directors over a period of time and as opportunities arise. This will be a key part of the succession plan that the nomination Committee will be focused on over the next 12 months.

Dr. Edward Ziff OBE DL
Chairman & Chief Executive
22 September 2020

Corporate governance

Board of Directors

	Dr. Edward Ziff OBE DL Chairman & Chief Executive	Mark Dille ACMA Group Finance Director	Ben Ziff Managing Director CitiPark & TCS Energy	Michael Ziff Hon DUnlv (Brad) Non-Executive Director	Ian Marcus OBE FRICS Non-Executive Director	Paul Huberman FCA CTA Non-Executive Director	Jeremy Collins Non-Executive Director
Appointed	08/1985	07/2017	09/2015	07/2004	01/2015	01/2015	02/2018
Independent	No	No	No	No	Yes	Yes	Yes
Committee Membership	N			N	N A R	N A R	N A R
Skills & Experience	Edward Ziff joined the Company in 1981 before being appointed to the Board in 1985, becoming Managing Director. In 1983, Chief Executive in 2001 and succeeded his Father and Founder of the Company as Chairman in 2004. Edward is a life-long supporter of Leeds the city and plays an active role in the community. A passionate family man, Edward brings a strong pastoral care aspect to the business, encouraging individual leadership and an active role in the community through local charities. Edward's position as son of the founder, and his lifelong experience working in the business, make him uniquely qualified to lead the Company. The wider role he plays in the Leeds community, in particular, support leading this proudly Leeds-based business.	Mark's chartered accounting qualification clearly underpins his ability to deliver in his role as Group Finance Director. In addition, his previous roles as a senior commercial finance business partner ensure he is able to guide and add value in the operational aspects of the business as well as inputting in to the strategic direction the business takes.	Ben's long and close involvement with the business ensures he is always able to take the wider, cross business long-term view. In addition, his wide knowledge of the rapidly changing effects of technology ensures that we are able to take advantage of new ways of doing business across both the property and car parking parts of the Company. Ben joined TCS in 2008, becoming CitiPark Managing Director in 2009. In September 2015, Ben was appointed to the Board of Directors.	Michael's lifelong involvement with the Company and his retail experience puts him in a unique position to understand TCS and give counsel based on the founding principles of the business and the importance of taking a long-term strategic view. Michael was appointed to the Board in July 2004.	Ian's significant experience in the property and corporate finance worlds give him an experience base and a network that can valuably inform, guide and support TCS both in making day to day operational decisions, and in setting the long-term strategic direction of the business. He has broad Remuneration experience which supports his role as Chair of the Remuneration Committee. Ian Marcus was appointed to the Board in January 2015.	Paul Huberman was appointed a Director in January 2015. He brings over 33 years' experience in the property and finance sector. Paul's previous experience as Finance Director at three quoted companies, and his ongoing work in the real estate arena mean that he can robustly challenge and scrutinise the financial affairs of the business, leading the Audit Committee, as well as contributing meaningfully to the broader operational and strategic activities of the Company.	Jeremy was appointed to the Board in February 2018 and has over 35 years' experience in retail property development and management. Jeremy's wide experience base as a property professional, particularly in the retail field, puts him in a strong position to help TCS really understand the challenges of owning retail property during a period of such significant change. His guidance on the changing face of retail combined with the importance creating mixed-use communities plays an important role in the Company's strategic planning.
External Appointments	He is Chair and Trustee of Leeds Cares, a member of Council of the University of Leeds, a Trustee of the United Hebrew Congregation, Leeds, and a Deputy Lieutenant for the County of West Yorkshire.	None	None	He is a Director of W Barrett & Co Ltd, Transworld Business Advisors UK Ltd and London Business Franchise & Brokerage Ltd. He is President and a trustee of Maccabi GB and International Vice President of Maccabi World Union. He is also Hon President of UK Israel Business and Member of Council at the University of Bradford.	Ian is Trustee of The Prince's Foundation and a member of Redevco's Advisory Board. He is Senior Advisor to Eastdill Secured, the Senior Independent Director for Secure Income REIT, the Senior Independent Director for Shurgard Self Storage SA, Senior Advisor to Elysian Residences, Advisor to Work Life, and a senior advisor to Anschutz Entertainment Group. Ian is also President of Cambridge University Land Society.	He is currently a Non-Executive Director of Galliard Homes Limited, a Non-Executive Director at LIFE At Ltd, a Non-Executive Director at GetBury plc, a Non-Executive Director at a privately-owned property group, and a Non-Executive Director at The Industrial Dwellings Society (1885) Ltd. He also sits on the advisory board for London Resort Company Holdings Ltd.	Jeremy is Property Director and Executive Board member at Fenwick.
Previous Experience	In 2013 he was awarded an Honorary Doctorate of Business Administration by Leeds Beckett University. Edward was awarded an OBE for services to the Leeds community and economy in the 2017 Queen's birthday honours list	Mark joined the Board in July 2017 from Asda Stores Limited (part of Walmart) where he held a number of senior finance roles over fourteen years, including latterly as Vice President, Retail and Property Finance where he was responsible for all Asda stores and distribution centres as well as the new store acquisitions. Prior to Asda, Mark held senior finance positions at JP Morgan in London for six years, and began his career at Unilever. Mark is a graduate of the University of Oxford and is a qualified accountant.	Ben successfully led the 2013 redevelopment of the Merion Centre multi-storey car park, which turned a 1960s structure into a state-of-the-art facility featuring cutting-edge systems. Since 2014, Ben has led the acquisitions programme which has doubled the size of the car park division. Ben's personal interest in combining tech, renewable energy and EV Charging led to the development of TCS Energy in 2012 which pursues renewable energy production and storage. Ben has ensured the Group uses cutting edge technology to revolutionise and maximise its operations, including guiding the Board's financial investment of YourParkingSpace.co.uk.		Ian spent over 32 years as an investment banker latterly at Credit Suisse. Ian was previously a Crown Estate Commissioner, as is a former chairman of the Bank of England Commercial Property Forum and a Past President of the British Property Federation.	Paul was previously Finance Director at three quoted companies. Previously Paul was a Non-Executive Director at GRIT Real Estate Income Group Ltd, a listed pan African property investment company and a Non-Executive Director at JCRA Group Ltd, the holding company of JC Rathbone Associates Ltd, the independent advisors on interest rate risk management, debt finance and foreign exchange exposure.	Jeremy spent 15 years at John Lewis including as Property Director until 2018. Previous experience includes working for Lend Lease, MEPC and Grosvenor Square Properties. Jeremy's first job was at Wirral Metropolitan Borough Council, which gave him an insight into the workings of local authorities and began his passion for urban regeneration. He graduated from the University of Reading, qualified as a chartered surveyor, and is a Past President of the British Council of Shopping Centres.

Committee **N** Nomination **A** Audit **R** Remuneration **Chair**

Corporate governance

Board of Directors

Details of the Board of Directors are given on pages 58–59 of this report. At the end of the year the Board comprised four Non-Executive Directors, three of whom are independent and four Executive Directors, including the Chairman & Chief Executive.

The key roles and responsibilities are as follows:

Dr. Edward Ziff

OSE DL
Chairman & Chief Executive

- Ensure a robust decision-making process is in place and all appropriate information is provided to the Board in a timely manner.
- Setting the Board agenda, focusing on strategic matters and giving adequate time to other key issues as required.
- Managing the Board to allow time for discussion of complex or contentious issues.
- Ensuring the Board discharges its responsibilities with respect to Risk Management and Governance, promoting high standards of Corporate Governance.
- Effective communication with shareholders and other stakeholders.
- Leadership of the Board and the Company.
- Successful achievement of objectives and execution of strategy.
- Responsible for identifying and recruiting Board members.
- Ensure long-term business sustainability.
- Ensure implementation of Board decisions.

Mark Dilley

ACMA
Group Finance Director

- Provide advice and guidance on financial strategy.
- Ensure the Group's financial commitments, targets and obligations are met.
- Budget setting and performance management.
- Ensure compliance with statutory regulations.
- Assist with shareholder communications.
- Oversee all banking and debt facilities.
- Board responsibility for IT and data security.

Ben Ziff

Managing Director

- Provide advice and guidance on car parking strategy.
- Implement agreed business plan for CitiPark.
- Identify and recruit CitiPark senior management team.
- Identify and propose car park acquisitions and/or disposals.
- Identify and lead relationship with property and car park related technology investments.

Ian Marcus

OSE FRICS
Senior Independent Director

- Supporting the Chairman and CEO's delivery of objectives.
- Leading the Non-Executive Directors in the oversight and evaluation of the Chairman and CEO.
- Being available to shareholders to express concerns that the normal channels have failed to resolve or which would be inappropriate.
- Taking responsibility for an orderly succession process for the Chairman were it to be required.

Our four Non-Executive Directors bring considerable experience and expertise to the work of the Board and provide a significant independent view to our deliberations.

They regularly challenge and question the conclusions of the Executive and have a particular focus on the interests of all shareholders, including non-family shareholders.

In accordance with the UK Corporate Governance Code the Board considers Jeremy Collins, Paul Huberman, and Ian Marcus to be independent and confirm that they:

- have not been an employee of the Company or Group during the prior five years;
- have not had any material business relationship with the Company or been a Director or a senior employee of a body which has had such a relationship with the Company;
- have not received or receive remuneration from the Company other than Directors' fees, nor do they participate in any Company Share Plan, nor are they a member of the Company's pension scheme;
- do not have close family ties with the Company's advisors, Directors, or senior employees;
- have no cross Directors or significant links with other Directors through involvement in other companies and bodies;
- do not represent a significant shareholder;
- have not been a Director of the Company for more than nine years since their first appointment.

One of the Non-Executive Directors, Michael Ziff, is not considered to be independent, due mainly to his shareholding in the Company and his close family ties. The Board considers that he brings extensive experience and expertise and provides an invaluable contribution to the work of the Board. The remaining three Non-Executive Directors are considered to be independent.

Additionally, under the Code, the Company is required to identify a Senior Independent Non-Executive Director. Ian Marcus and Paul Huberman were appointed on the same day and, while they have different skills and experience, neither is senior to the other. Consequently, for the purpose of compliance with the Code, the

position will alternate on an annual basis. Over the past year Paul Huberman has stood as our Senior Independent Director and therefore, from the date of this report until the next, the position will be rotated to Ian Marcus.

Prior to the introduction of the 2018 UK Corporate Governance Code, Ian Marcus was appointed as a workforce representative. His role has been key in ensuring workforce representation in the discussions and decisions of the Board, useful in enabling all Directors to perform their duties under Section 172 Companies Act 2006.

The full Board met eight times in the year and the record of Directors' attendance at the Board meetings is set out overleaf. Additionally the Board met every week from April as a result of the COVID-19 crisis, although those meetings are not included in the formal reporting on page 63. This year the Board met twice specifically to review the strategic direction of the Group. The Board manages overall control of the Group's affairs in accordance with the schedule of matters reserved for its decision. These include the approval of financial statements, business plans, all major acquisitions and disposals, risk management strategy and treasury decisions.

The Board has established two divisional Boards, the Property Review Board (seven meetings in the year) and CitiPark Board (nine meetings in the year), which comprise Executive Directors and senior management. The Board has delegated responsibility to the divisional Boards for assisting the Executive Directors on measures relating to the Board's strategies and policies, operational management and the implementation of the systems of internal control, within agreed parameters.

There is an agreed procedure for Directors to take independent professional advice at the Company's expense, if necessary, in the performance of their duties. This is in addition to the access which every Director has to the Company Secretary.

The Group maintains liability insurance on behalf of Directors and Officers of the Company.

On appointment, the Directors are provided with information about the Group's operations, the role of the Board, the Group's corporate governance policies and the latest financial information. Additionally, upon appointment, Directors are provided with induction including training in respect of all their responsibilities in accordance with the UK regulatory regime. Subsequent training is also undertaken as appropriate.

The appointment and removal of Directors is governed by the Company's Articles of Association, the UK Corporate Governance Code and the Companies Act 2006 and other related legislation. The Articles are available on application to the Company Secretary at the Company's registered office.

The Independent Non-Executive Directors meet at least once a year without the other Executive Directors present to discuss the performance of the Board and to appraise the Chairman and Chief Executive's performance.

2018 UK Corporate Governance Code (the 'Code')

As part of the Company's commitment to good corporate governance a review of compliance with the 2018 code was undertaken and areas of non-compliance identified. The Board has undertaken several changes to comply with the 2018 code and several other actions remain ongoing. Detail on compliance with the Code is provided on page 64.

Corporate governance

continued

Listing rules

In accordance with listing rule 9.8.4 R the following information has been disclosed as set out below.

Listing rule requirement	Location
A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	Not applicable
Information required in relation to the publication of unaudited financial information.	Not applicable
Details of any long-term incentive schemes.	No such long-term incentive plans
Details of any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company.	Due to the COVID-19 pandemic, from April 2020 until September 2020 the Non-Executive Directors accepted a 20% reduction in fees. The salaries of the Executive Directors were also reduced by 20% for the same period.
Details of any non pre-emptive issues of equity for cash.	No such share allotments
Details of any non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	No such share allotments
Details of parent participation in a placing by a listed subsidiary.	Not applicable
Details of any contract of significance in which a Director is or was materially interested.	No such contract
Details of any contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder.	No such contract
Details of waiver of dividends by a shareholder.	No such waiver
Board statement in respect of relationship agreement with the controlling shareholder.	Directors' Report, page 80

Performance of the Board

The effectiveness of the Board, its committees and Directors was reviewed as part of Board proceedings. Given the size of the Board and nature of the business the Directors performed an internal Board evaluation. The Board recognises the requirement to consider the use of an external evaluator at least every three years and during the next financial year will consider the appropriateness of this measure for Town Centre Securities.

The evaluation of the Board and its committees, which did not highlight any areas of concern, considered:

- ☐ the Directors' understanding of the roles and responsibilities of the Board and of its committees;
- ☐ the structure of the Group, including succession planning in key areas of the business;
- ☐ the Board's understanding of the Group's activities and the appropriateness of its strategic plan;
- ☐ whether Board meetings effectively monitor and evaluate progress towards strategic goals;
- ☐ Board composition and the involvement of each Director in the business of the Group;
- ☐ the overall effectiveness of the Board in the provision of the necessary experience required to direct the business efficiently; and
- ☐ the effectiveness of the Board committees in performing their roles.

The evaluation of the performance of individual Directors was undertaken by the Chairman and Chief Executive and the performance of the Chairman and Chief Executive was evaluated by the Non-Executive Directors led by the Senior Non-Executive Director, taking into account the views of the Executive Directors.

The independent Non-Executive Directors met at least once during the year without the Chairman and non-independent Directors.

Committees of the Board

Nomination Committee

Edward Ziff (Chair)
Ian Marcus
Paul Huberman
Jeremy Collins
Michael Ziff

Audit Committee

Paul Huberman (Chair)
Ian Marcus
Jeremy Collins

Remuneration Committee

Ian Marcus (Chair)
Paul Huberman
Jeremy Collins

Attendance at Board Meetings (of 8)

Edward Ziff	8
Mark Dille	8
Lynda Shillaw	8
Ben Ziff	8
Michael Ziff	8
Ian Marcus	8
Paul Huberman	8
Jeremy Collins	8

Attendance at Audit Committee Meetings (of 2)

Paul Huberman	2
Ian Marcus	2
Jeremy Collins	2

Corporate governance

continued

Statement of compliance with the UK Corporate Governance Code

The UK Corporate Governance Code ('the Code') can be found on the FRC's website: [frc.org.uk](https://www.frc.org.uk). Under the Code, the Board is required to make a number of statements. These statements are set out below:

- 1. Compliance with the Code:**
As a Company listed on the London Stock Exchange Town Centre Securities PLC is subject to the requirements of the Code. The Board is required to comply with the Code and, where it does not, explain the reasons for non-compliance. The Board now reports against the 2018 Corporate Governance Code and has also produced a Section 172 Statement demonstrating how Directors have performed their duties in compliance with Section 172 of the Companies Act 2006.

Statement of compliance with the Code

The Board has considered the principles and provisions of the Code, published by the Financial Reporting Council ('FRC'). The Board of Directors has complied with the Code throughout the year except for the following matters:

UK Corporate Governance Code	Provision	Explanation of departure from the Code
Provision 9	The roles of the chairman and chief executive should not be exercised by the same individual.	<p>The Board acknowledges that the appointment of Edward Ziff as Chairman and CEO and his tenure depart from the UK Code.</p> <p>Edward Ziff became Chief Executive in 2001 and succeeded his Father and Founder of the Company as Chairman in 2004. The Board unanimously agreed that, for a number of reasons, including cost efficiency, that taking on both roles would be in the Company's best interests. The Board is focused on the commercial success of the Company and believes that continuing the combined position of Chairman and Chief Executive is the best way to achieve this. Furthermore, the Board noted the contributions which have been made by Edward Ziff in delivering the strategy of the Company, whilst utilising his position to act as an ambassador for the Company.</p> <p>As mentioned previously, the Company took the step to include wider management representation at Board level as a measure to give the Non-Executive Directors greater access and further avenues to scrutinise the business. This ensures an appropriate level of robust challenge and is an ongoing focus for the Non-Executive Directors.</p> <p>The Independent Directors meet at least annually in a private session chaired by the Senior Independent Director to consider the governance of the Company including the division of responsibilities for the Chairman and CEO.</p> <p>Edward Ziff will stand for re-election at all future Annual General Meetings in accordance with the 2018 Code requirements.</p>
Provision 19	Chair not to remain in post for more than nine years.	Edward Ziff was appointed Chairman and CEO in 2004, which the Board feels continues to be in the best interest of the Company. Due to this combined role Edward Ziff is not considered to be independent. The Board believes that the valuable experience provided by Edward Ziff continues to benefit the Company.
Provision 39	Notice or contract periods should be set at one year or less.	<p>The Chairman and Chief Executive has a service contract with a notice period greater than one year.</p> <p>Given the role and experience of the Chairman and Chief Executive, and his deep knowledge of the Company, the Board believes the longer notice period continues to be appropriate.</p>
Provision 11	At least half the Board, excluding the Chairman, to be independent.	<p>The Board noted that less than half of the Board is considered to be independent. The composition of the Board is regularly reviewed to ensure that there is an appropriate balance of skills and experience. The Board currently comprises four Non-Executive Directors.</p> <p>Again, without the unusual wider management representation on the Board, the Company would meet the required ratio of Independent Directors.</p>

2. Going concern:

The Board is required to confirm that the Group has adequate resources to continue in operation for at least 12 months.

The Directors are satisfied that the Group has adequate resources to continue to be operational as a going concern for the foreseeable future and therefore have adopted the going concern basis in preparing the Group's 2020 financial statements. More details can be found in the Risk Report on page 51 and the Director's Report on page 80.

3. Viability statement:

The Board is required to assess the viability of the Company taking into account the current position and the potential impact of the principal risks and uncertainties facing the business.

The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next two years. Our Viability Statement can be found in the Risk Report on page 51.

4. Principal risks facing the Group:

The Board is required to confirm that a robust assessment of the principal and emerging risks facing the Company has been carried out and should describe those risks and explain how they are being managed or mitigated.

A robust assessment of the principal risks facing the Company was undertaken during the year, including those that would threaten its business model, future performance, solvency or liquidity. These risks and how they are being managed or mitigated can be found in the Risk Report starting on page 50.

5. Risk management and internal control:

The Board is required to monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness.

The Board conducted a review of the effectiveness of the systems of risk management and internal control during the year, and considers that there is a sound system in place. More detail can be found in the Audit Committee Report on page 68.

6. Fair, balanced and understandable:

The Board is required to confirm that it considers the Annual Report, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors consider, to the best of each person's knowledge and belief that, the Annual Report, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. This is considered in the Audit Committee Report on page 68 and the Statement of Director's Responsibilities on page 82.

Relations with shareholders

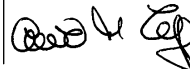
The Board is committed to maintaining good communications with shareholders. The Chairman and Chief Executive and Group Finance Director maintain a dialogue with institutional shareholders and analysts immediately after the announcement of the half year and full year results. Their views are reported to the Board as appropriate. The Company also encourages communications with private shareholders throughout the year and welcomes their participation at shareholder meetings.

The principal communication with private shareholders is through the Annual Report and Accounts, the Half Year release and the Annual General Meeting (AGM). The Notice of AGM and related papers are communicated to shareholders at least 20 working days before the meeting to give shareholders sufficient time to consider the business of the meeting. All Directors attend the AGM and shareholders are given the opportunity to ask questions of the Board and meet all the Directors informally after the meeting.

Separate resolutions are proposed for each item of business and the proxy votes for, against and withheld are announced. An announcement confirming resolutions passed at the AGM is made through the London Stock Exchange immediately after the meeting. The Senior Independent Director is available to shareholders at all times if they have concerns they wish to raise.

The Group has a comprehensive website on which up to date information is available to all shareholders and potential investors (tcs-plc.co.uk).

Dr. Edward Ziff OBE DL
Chairman & Chief Executive
22 September 2020



Nomination Committee Report

for the 2020 Annual Report

“

Dear Shareholder,
I am pleased to continue to act as Chairman of the Nomination Committee. The other members of the Committee are Jeremy Collins, Ian Marcus, Paul Huberman and Michael Ziff. The Committee therefore comprises a majority of Independent Directors. The Committee formally met once during the year.

Dr. Edward Ziff OBE DL
Chairman & Chief Executive

Responsibilities of the Nomination Committee

The Committee is responsible for the regular review of the structure, size and composition (including the skills, knowledge, independence and experience) of the Board and it makes recommendations to the Board with regard to any changes.

The Committee also considers succession planning for the Executive Board in the course of its work, taking into account the challenges and opportunities being faced and the skills and expertise required.

Work of the Committee during the year

The effectiveness of the Board, its committees and Directors was reviewed as part of the September Board proceedings. More detail can be found in the Directors' Report on page 80.

As a result of this exercise, the Committee will be focusing on continuing to develop its succession plan for the Board.

A central part of this plan will be to seek to make the Board more diverse. The Company will face new challenges in the future, some of which existed prior to the COVID-19 pandemic, but these challenges have now been accelerated.

The Committee will be considering the Board's skill set to ensure it is able to lead the Company post COVID-19 and a diverse Board will be key to the Board's effectiveness. The Company's approach to diversity is set out later in this report.

As previously announced, Lynda Shillaw, the Group Property Director, left the business with effect from 31 August 2020. We initially engaged Thomas Cole Kinder to undertake a search for a replacement. As part of that process a decision was made to change our organisational structure. As a result we will not be appointing a new Executive Property Director.

Instead we are creating two new positions, whilst not Executive Board positions both will be invited to attend Board meetings continuing our commitment to giving the full Board the ability to receive updates from the wider management team. I am pleased that Helen Green, our former Associate Property Director is taking the role of Property Director. In addition Craig Burrow, formally at Bruntwood is joining TCS as Development Director. Both will formally be in role by the beginning of October 2020.

The Committee recognises that the Chair of the Board has remained in post beyond nine years and the reasons for this are continuously and rigorously reviewed by the independent Non-Executive Directors to ensure this remains in the best interests of the Company and its stakeholders. This exercise by the independent Non-Executive Directors also incorporates review of the combined role of Chairman and Chief Executive Officer. Further information can be found on page 57.

Following the introduction of the new UK Corporate Governance Code, all Directors will be put forward for re-election at each Annual General Meeting every year. Biographies of the Board members can be found on pages 58–59.

Diversity

The Board embraces the supporting principles on diversity in its broadest sense: diversity of skills, background, experience, knowledge, outlook, approach, gender and ethnicity. In addition, the Company has regard for diversity in recruitment at all levels. At the Company's head office in Leeds, 20 of the Company's 36 employees, are female. The Company drives diversity through its university placements, adding to its core strategy on enhancing diversity via a strong and diverse pipeline of talent throughout the Group at all levels.

The Board is committed to ensuring it has an appropriate balance of skills, knowledge and experience. Diversity is a vital part of the continued assessment and enhancement of Board composition, and the Board recognises the benefits of diversity amongst its members, and the senior team. As mentioned earlier in this report, the Board recognises that its composition should enable it to meet future challenges and assist it in discharging its responsibilities to all of its stakeholders.

All Board appointments are made on merit and whilst the Nomination Committee has decided not to employ specific diversity targets, it continues to actively support diversity in all forms. The Board is committed to furthering its diversity and is looking to address the issue wherever the opportunity arises to do so. The Committee is committed to ensuring that recruiting a female independent Non-Executive Director is a priority when future vacancies arise. The Board currently consists of seven men and at the senior management level within the business, below the Board, there are five men and one woman.

Edward Ziff
Chairman of Nomination Committee

Audit Committee Report

“
Dear Shareholder,
As Chairman of the Audit Committee
(‘the Committee’) I am pleased to present
the report of the Committee for the year
ended 30 June 2020.

Paul Huberman
Chairman of Audit Committee

The Audit Committee consists of the Board's three Independent Non-Executive Directors. I am a qualified Chartered Accountant and experienced senior finance executive having been Finance Director of three different listed companies, and more recently as a Non-Executive Director at Galliard Homes and Grit Real Estate Income Group. Ian Marcus has a breadth of experience in Investment Banking, and as a Non-Executive Director with past Audit Committee responsibilities. Jeremy Collins is also a member of the Committee, bringing valuable experience from his prior roles, including as Property Director at John Lewis. The Board is therefore satisfied that at least one member of the Audit Committee has recent and relevant financial experience. The Committee as a whole has relevant sector experience.

Executive Directors, including Edward Ziff and Mark Dilley, join Committee meetings by invitation but are not members of the Committee. The Committee meets alone with the external Auditor without Executives present at least twice a year.

The Audit Committee carries out an annual review of its Terms of Reference. Last year the Terms of Reference were amended to reflect a number of changes required to ensure the Committee's role is fully compliant with the 2016 UK Corporate Governance Code which it recommended to the Board for adoption. The Terms of Reference were amended in order to reflect best practice. This is available to view on the Company's website.

Responsibilities

The Committee's role includes assisting the Board to discharge its responsibilities and duties for financial reporting, internal control, management of risk and the appointment, reappointment and remuneration of an independent external Auditor. The Committee is responsible for reviewing the scope, terms of engagement, and results of the audit work and the effectiveness of the Auditor. The Committee is responsible for monitoring the integrity of the financial statements, announcements and judgements, as well as reviewing the Company's internal financial controls. The Committee also satisfies itself of the Auditor's independence and objectivity, reviews and approves the level of non-audit services, and the Group's arrangements on whistleblowing. Any matter the Committee considers needs action or improvement is reported to the Board. In addition, the Committee continues to review annually whether an internal audit function is required.

Report on the Committee's activities during the year

During the year, the Committee met two times and discharged its responsibilities by:

- Reviewing the Group's draft annual report and financial statements and its interim results statement prior to discussion and approval by the Board.
- Reviewing the continuing appropriateness of the Group's accounting policies.
- Reviewing BDO's plan for the 2020 Group audit and approving their terms of engagement and proposed fees.
- Reviewing reports prepared by management on internal control issues as necessary.
- Considering the effectiveness, objectivity and independence of BDO as external Auditor and recommending to the Board their reappointment.
- Reviewing management's biannual risk review report and the effectiveness of the material financial, operational and compliance controls that help mitigate the key risks.
- Reviewing the effectiveness of the Group's whistleblowing policy.
- Monitored the level of non-audit fees and the scope of non-audit services provided in the year by the Auditor.
- Reviewing progress against the IT infrastructure and security action plan.
- Considering management's approach to the viability statement in the 2020 Annual Report.
- Reviewing the terms of reference of the Audit Committee.
- Carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee.
- Reviewing the Group's Non-Audit Services Policy.
- Reviewing the Group's compliance with the requirements necessary to qualify as a REIT.
- Reviewing and considering the impact of IFRS 16 which came into force for the first time for the interim period ended 31 December 2019.
- Reviewing the impact of COVID-19 on the Company both for the year ended 30 June 2020 and also in respect of the longer-term viability of the business and its going concern status.

Significant issues considered in relation to the financial statements

During the year, the Committee considered key accounting matters and judgements in respect of the financial statements. The Committee received detailed reporting from the Finance Director and BDO in respects of key areas of management judgement and reporting. Using BDO's assessment of risk and the Committee's own independent knowledge of the Company, estimates and judgements of management in relation to the preparation of the financial statements were reviewed and challenged. The significant accounting matters and judgements related to:

- Investment property valuation – The Committee reviewed the reports of the independent valuers JLL and CBRE, and the Chair and other members of the Committee attended the valuation review meetings with management, BDO and CBRE and then JLL. The Committee noted the uncertainty clauses that the valuations included as a result of COVID-19.
- Treatment of property sales and acquisitions in the year.
- The further investment in YourParkingSpace.co.uk (YPS), and the accounting treatment required to meet fair value requirements – The Committee agreed that the current carrying value still reflects fair value, although this needs to be kept under regular review.
- The future accounting treatment of YPS, and the fact that when the Company's share exceeds 20%, it would be possible that the P&L and balance sheet of YPS would have to be equity accounted into the financial statements of TCS. The Committee agreed with the judgement that the Company did not hold significant influence over YPS given the 19.9% shareholding at the balance sheet date, and the nature of the operation of the business and Board structure.
- Going concern and covenant compliance – The Committee reviewed and approved the going concern analysis.
- Viability Statement and appropriateness of period of the statement – The Committee reviewed and agreed the longer-term viability analysis and recommended timeframe. As part of this process a number of stress scenarios were provided to the Committee. The assumptions behind those scenarios were robustly examined.
- Treatment of outstanding rental income due from tenants as at the year-end – Given the unprecedented impact of COVID-19 and the uncertainty with regard to the ongoing viability of tenants who had not been able to pay their rent and service charges, the Committee agreed that it was appropriate to provide for non-payment of the amounts due.
- Accounting for costs incurred by the Company in relation to the potential George Street, Leeds joint venture investment with Leeds City Council – Following the Board's decision not to proceed with this venture it was deemed appropriate to fully provide for the £0.7m of capitalised expenditure in relation to this project. We are seeking to mitigate these costs.
- Accounting for IFRS 16 – The Company's accounts for the half year and full year now incorporate the application of IFRS 16 Accounting for Leases – The Committee reviewed and approved the proposed application of IFRS 16 within the accounts, reviewing the effects of the new standard and agreeing to also report on an Adjusted EPRA earnings measure alongside the statutory measures.

Audit Committee Report

continued

COVID-19

The Committee and the wider Board have spent significant time since March 2020 reviewing and stress testing the financial robustness of the Company. This is detailed in the Risk Review on page 50, but in summary key Audit Committee activities included:

- Weekly full Board video calls to review the impact of COVID-19 on the business and to agree on key actions.
- Weekly Non-Executive Board video calls with the Chairman to follow up on actions agreed at the Board meeting, to review wider market activity, and to ensure the Non-Executives are fully engaged in the actions of the business.
- A review of the strategy and the decision to speed up the disposals of predominantly retail assets.
- Detailed reviews of predicted cash flow forecasts under different scenarios, and review of predicted bank and debenture covenant tests.
- Detailed discussions regarding the Viability Statement and Going Concern Statement included within this Report and Accounts.

Fair, balanced and understandable

In its review the Audit Committee has determined that the 2020 Annual Report, taken as a whole, is fair, balanced and understandable and provides shareholders with the necessary information to assess the Company's position and performance, business model and strategy.

Risk management and internal controls

The UK Corporate Governance Code provides that the Directors should monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and should report to shareholders in the Annual Report. The monitoring and review should cover all material controls, including financial, operational and compliance controls. The Board recognises that effective risk management is critical to the achievement of the Group's strategic objectives, and the Audit Committee plays a key role in reviewing identified risks and assessing the effectiveness of mitigation plans.

The principal risks and uncertainties identified by the Board and the processes in place to manage and mitigate such risks are summarised in the risk management section. It will be noted in the risk management section that a number of areas have worsened in likelihood or impact in the past six months. All the changes are effectively driven by the impact of COVID-19, and in a number of places particularly in relation to our retail tenants reflect an acceleration of the challenging environment facing that sector. Whilst the Company has demonstrated mitigating actions regarding these risks, including speeding up the sale of retail assets within the portfolio, there is no doubt that the risk environment has worsened.

The risk management system is designed to give the Board confidence that the risks are being managed or mitigated as far as possible. However, it should be noted that no system can eliminate the risk of failure to achieve the Group's objectives entirely and can only provide reasonable but not absolute assurance against material misstatement or loss.

The key elements of the internal control framework are as follows:

- A comprehensive system of financial budgeting and forecasting based on an annual budget in line with strategic objectives. Performance is monitored and action is taken throughout the year based on variances to budget and forecast.
- Rolling 18-month cash flow forecasting that is reviewed by the Board on a monthly basis.
- An organisational structure with clearly defined roles, separation of duties, and authority limits.
- Close involvement of the Executive Directors in day to day operations, and regular formal meetings with senior management to review the business.
- Monthly meetings of the Executive, the Property Review Group, the CitiPark Board, and quarterly meetings of the IT and Data Governance Committee.
- A documented appraisal and approval process for all significant capital expenditure.
- Approval by the Board for all material acquisitions, disposals and capital expenditure.
- The maintenance of a risk register, and a formal review of significant business risks twice a year.
- A formal whistleblowing policy and anti-bribery policy.

The Board has delegated responsibility for reviewing the effectiveness of the risk management framework and internal control to the Audit Committee.

Oversight of the external auditor

BDO were appointed as the Company's auditors following a formal tender process in 2015/16.

Current UK regulations require rotation of the lead audit partner every five years, a formal tender of the auditor every ten years and a change of auditor every twenty years. The 2020 audit was the fifth audit by Russell Field and therefore, the lead audit partner for 2021 will be Richard Levy.

BDO presented their audit plan for the year end to the Board, where the key audit risks and areas of judgement were highlighted and the level of audit materiality agreed. BDO presented detailed reports of their findings to the Committee before the Interim and Full Year results. The Committee questioned and challenged the work undertaken and the key assumptions made in reaching their conclusions.

Auditor independence and objectivity

The Committee recognises the importance of auditor objectivity and independence and understands that this can be compromised by the provision of non-audit work. All taxation advice is provided separately by PwC. However, there may be certain circumstances where, due to BDO's expertise and knowledge of the Company, it's appropriate for them to undertake non-audit work. The Company has put in place a formal process for agreeing and approving non-audit work by the Audit Committee alongside a Non-Audit Services Policy as mentioned previously. BDO have confirmed to the Audit Committee that they remain independent and have maintained internal safeguards to ensure the objectivity of the engagement partner and audit staff is not impaired.

Audit fees for the year are broken down as follows:

	£000's
Audit of year end consolidated financial statements	85
Audit of Company subsidiaries pursuant to legislation	10
Other Audit related services	15
Total Audit services	110
Other non-audit services	2
Total Auditor's remuneration	112

The Committee ensures it is able to assess the quality of BDO's audit in three key ways: it ensures there is a comprehensive engagement agreement in place, secondly the Committee reviews the detailed audit planning document provided by BDO, and thirdly BDO produces a detailed audit report that is thoroughly reviewed by the Committee with follow up iterations as necessary. In addition, by meeting the auditor without management present, the Committee are able to stress test the independence and quality of the review.

The review described above allows the Committee to determine and understand the degree to which the auditor has challenged management and if necessary require the auditor to review particular aspects in more detail. In this past year the attendance of Committee members at the Valuation Review meetings has allowed the Committee to witness first-hand the level of scrutiny and challenge given by the auditors to management and CBRE and JLL.

In the year ended 30 June 2020 the Committee has not asked the auditors to look at any specific areas not already covered by the audit plan.

During FY20 the Committee also considered the findings of the FRC's Audit Quality Review inspection of BDO's audit of TCS for the year ended 30 June 2018. In particular, the Committee reviewed how BDO had addressed the points raised, and how these had been incorporated into the audit approach for the year ended 30 June 2020.

Auditor reappointment

The Committee reviewed the effectiveness of the external audit process and the performance of the Auditor and for the reasons stated above, believe that BDO remain independent and recommend that BDO be reappointed as external auditor for the Company. The Committee notes the requirements for the external auditor position to undergo tender and propose for this to be undertaken prior to 2025/2026.

Internal audit

The Group does not have a dedicated stand-alone internal audit function. This decision is made taking into account the size and complexity of the Group. Where appropriate reviews are either carried out by staff member, or where appropriate by third party experts. The need for an internal audit function is considered by the Audit Committee annually.

Whistleblowing

The Group has in place a whistleblowing policy which encourages employees to report any malpractice or illegal acts or omissions or matters of similar concern by other employees or former employees, contractors, suppliers or advisors. The policy provides a mechanism to report any ethical wrongdoing or malpractice or suspicion thereof. The Committee reviews this policy annually.

Committee evaluation

As part of the Board and Committee self-evaluation process it was felt that the Committee continued to operate at a high standard and was effective in its support to the Board during the year.

Paul Huberman
Chairman of Audit Committee

Directors' Remuneration Report

Dear Shareholder,
On behalf of the Board I am pleased to present the Directors' Remuneration Report of the Remuneration Committee (the 'Committee'). The report is divided into three sections:

Ian Marcus OBE
Chairman of Remuneration Committee

- This annual statement for the year ended 30 June 2020, which summarises remuneration outcomes and how the Remuneration Policy will operate for the year ending 30 June 2021.
- The Remuneration Policy Report. The Directors' Remuneration Policy (Policy) was approved by shareholders at the Company's AGM in 2017 and the Company is therefore again required to seek approval of the Policy at the forthcoming AGM.
- The Annual Report on Remuneration which explains how the Remuneration Policy was implemented in the year ended 30 June 2020, and how the Remuneration Policy, if approved, will be implemented for the year ended 30 June 2021.

The Committee has decided that it would not be appropriate at present to put forward a Remuneration Policy that looked forward three years or indeed to engage a remuneration consultant due to the uncertainties that prevail at this time. Accordingly, the Committee is proposing that at the AGM shareholders approve the current Policy for a further year. The Policy is set out on page 73. Assuming the Company's longer-term financial condition is more certain as we enter 2021, the Committee intend to seek shareholder approval of a new Remuneration Policy at the 2021 AGM. In 2019, Willis Towers Watson undertook an independent market benchmarking exercise which is referred to later in this report. The Committee will consider the extent to which the result of that exercise can be used to inform any new policy that might be proposed next year.

Annual statement

Pay and performance during 2020

Following a review of earnings, NAV, dividends, and other financial metrics the Committee agreed that no bonuses were to be paid in respect of the year ended 30 June 2020. The salaries of Executive Directors were reduced by 20% for the period from April to June, and continued to remain reduced from July to September. Non-Executive Directors also waived 20% of their fees for the same period.

Other activities

We met twice during the year.

In accordance with its terms of reference, the Committee continues to review the Remuneration Policy periodically to seek to ensure a clear linkage between Executive Directors' pay and Group performance. In reviewing the Policy, the Committee not only assesses the alignment between policy, strategy and shareholder interests, but also the extent to which remuneration is sufficiently competitive to recruit, motivate and retain key talent. Last year, following market benchmarking exercise undertaken by Willis Towers Watson, the Committee came to a number of conclusions which were reported in the 2019 Report and Accounts:

- Overall Maximum Potential Remuneration ('MPR') for Executive Directors is low in comparison to the Company's property sector peers. Whilst base salaries are competitive, maximum bonus opportunity is significantly lower than that of peers.
- Actual remuneration is also low relative to peers, with an average bonus pay-out of 14% of base salary over the last five years.
- The lack of a Long-Term Incentive Plan ('LTIP') contributes to lower overall pay levels and means that remuneration does not actively assist to align all Executives to longer-term shareholder interests.

As a result, the Committee concluded a more detailed review of the Remuneration Policy was required. As stated above the Committee still believe that this is required, however given the disruption created by COVID-19 and the decision not to pay Board bonuses to Executive Directors in the year, it was decided that this review should be delayed and proposed that the current Policy be extended for a further year. It is our intention to put forward a new Remuneration Policy for approval at the 2021 AGM.

Implementation of the Remuneration Policy in 2021

- There will be no October pay review for Edward Ziff, Mark Dilley or Ben Ziff.
- The annual bonus opportunity will remain at a maximum of 60% of salary. The bonus will be based on similar measures to previous years. The weightings, measures and targets will be disclosed retrospectively in our subsequent report, owing to commercial sensitivity.
- Pension and benefits will operate as per 2020.

Edward Ziff and Mark Dilley continue to engage with shareholders, both family and where possible larger independent shareholders on all topics including remuneration. In addition, I am available to any shareholder who would like to discuss their concerns on remuneration throughout the year, not only at the AGM.

Building on work carried out in 2019, we are continuing to improve the level of disclosure provided in the Directors' Remuneration Report for the benefit of our shareholders.

Remuneration Policy

The Remuneration Committee implements the Group's Policy, which is to provide remuneration packages with fixed and variable elements that fairly reward the Executive Directors for their contribution to the business. It seeks to ensure that the packages are sufficiently competitive to attract, retain and motivate the Directors to manage the Group successfully, without making excessive payments. The Policy seeks to achieve the Group's strategic and financial objectives by aligning the interests of the Directors and shareholders.

Fixed remuneration

The fixed element of Directors' remuneration comprises Base Salary, Benefits and Pension. This element seeks to ensure that the Group attracts and retains appropriately talented individuals and provides a framework for them to save for retirement. The Committee considers the overall balance between the elements. Salaries are determined with regard to individual and Group performance and to market rates and comparable roles at comparable companies. Benefits principally comprise company cars or a salary alternative, although this is being phased out, permanent health and medical insurance premiums. The Chairman and Chief Executive receives reimbursement of the costs of maintaining a flat in London which is regularly used for Company meetings. The value of the benefits is not pensionable. The Company makes no pension contributions in respect of Edward Ziff. The Group makes payments to a defined contribution scheme for both Mark Dilley and Ben Ziff of 13% of salary.

The Committee recognises the guidance of the 2018 Corporate Governance Code in relation to the alignment of executive pensions with the wider staff pool. This will be considered as part of the discussions regarding the replacement of Lynda Shillaw. Further changes will be considered over the longer term and as part of the wider Remuneration Policy review.

Variable remuneration

The Group operates an annual bonus plan under which awards are discretionary and the Committee considers the performance of each individual Director and of the Group in assessing the level of payments under the plan. In particular profit and growth in shareholder value (measured by the increase in net asset value per share and dividends paid as well as any increase in share value) are carefully considered by the Remuneration Committee in awarding the bonuses when such increases were the result of Directors' input. The maximum award is up to 60% of salary. This bonus is not pensionable. It is Group policy to reward exceptional growth or performance. The Directors participate annually in the Share Incentive Plan (All Employee Incentive Plan), which was approved by shareholders in December 2003. The current investment limit is £1,800 per annum with a share matching element equal to 100% of the investment made subject to forfeiture should the individual cease to be employed during the first three years of the plan.

Service agreements and external appointments

Edward Ziff has a service contract that is subject to not less than two years notice. Mark Dilley and Ben Ziff have service contracts with one years' notice. The contracts provide for retirement at 65. The Group can discharge any obligation in relation to the unexpired portion of their notice period or any notice required to be given under their service contracts by making a payment in lieu thereof. If the Group terminates the contract without giving notice and/or makes a payment in lieu of any damages to which the executive may be entitled the payment is to be calculated in accordance with common law principles, including those relating to mitigation of loss and accelerated receipt. Directors are permitted to accept Non-Executive appointments by prior arrangement and provided there is no conflict with the Group's objectives.

Directors' Remuneration Report

continued

Remuneration Policy (continued) Non-Executive Director remuneration

The Non-Executive Directors do not have service contracts. They are appointed for an initial three-year period and this may be renewed on expiry of that period. The Non-Executive Directors are not entitled to participate in bonus, or share-based payment schemes and any other benefits.

Remuneration of other employees

Remuneration of other employees is set at a level to attract, motivate and retain talented individuals. This may include a company car or car allowance as appropriate. Remuneration levels are recommended by the Executive Directors and noted by the Remuneration Committee.

Employees are eligible to participate in the Group bonus scheme and the SIP scheme. The Group makes pension contributions for eligible employees at rates which vary depending on seniority. In 2019 the Company improved pension contributions for more junior staff and also introduced a Westfield Health policy for a large number of staff members.

Consideration of shareholder views

At the 2019 AGM the Board noted the fact, when excluding controlling shareholder votes, that the proportion of non-controlling shareholders voting to pass resolution 5, my reappointment as a Non-Executive Director, was 79.0%. Upon review of the voting details and consideration by the Board, it is believed that the level

of votes against resolution 5 related to concerns around remuneration, in particular given my responsibility as Chairman of the Remuneration Committee. Issues raised by ISS in their Proxy Analysis report highlighted concerns in respect of Ben Ziff's third significant salary increase in as many years. The Committee unanimously stands by its decisions in that regard, however, they have taken that concern into consideration this year. The Committee has discussed my position and experience as a Non-Executive including remuneration responsibilities elsewhere, and I continue to have the full support of the wider Board and importantly the majority of shareholders.

Annual report on remuneration

Single total figure of remuneration for each Director

The following table sets out the total single figure of remuneration for each Director for the years ended 30 June 2020 and 30 June 2019.

	Salaries and fees		Bonuses		Taxable benefits ¹		SIP shares ²		Pension contributions ³		Total	
	2020 £000's	2019 £000's	2020 £000's	2019 £000's	2020 £000's	2019 £000's	2020 £000's	2019 £000's	2020 £000's	2019 £000's	2020 £000's	2019 £000's
Executive Chairman and Chief Executive												
Edward Ziff	600	610			72	72	2	2			674	684
Executive Directors												
Mark Dille	326	332			3	3	2	2	45	43	376	380
Ben Ziff	214	194			27	21	2	2	28	25	271	242
Lynda Shillaw	380	261			5			0	52	34	437	295
Richard Lewis ⁴		137				29		0			0	166
	1,520	1,534	0	0	107	125	6	6	125	102	1,758	1,767
Non-Executive Directors												
Michael Ziff	47	48									47	48
Paul Huberman	51	52									51	52
Ian Marcus	51	52									51	52
Jeremy Collins	47	48									47	48
	197	200	0	0	0	0	0	0	0	0	197	200
	1,717	1,734	0	0	107	125	6	6	125	102	1,955	1,967

Notes:

- 1 Taxable benefits include cash and non-cash benefits principally company cars or a cash alternative, permanent health and medical insurance premiums. Edward Ziff receives reimbursement of the costs of maintaining a flat in London which is regularly used for Company meetings. The value of the benefits are not pensionable.
- 2 No long-term incentive plan was in operation for the relevant years although Directors were awarded shares under the Company SIP.
- 3 Edward Ziff received no pension contribution. The Group made payments to a Defined Contribution scheme and/or cash alternative for Mark Dille, Lynda Shillaw and Ben Ziff (all at 13% of base salary).
- 4 Richard Lewis left the Board in November 2018.

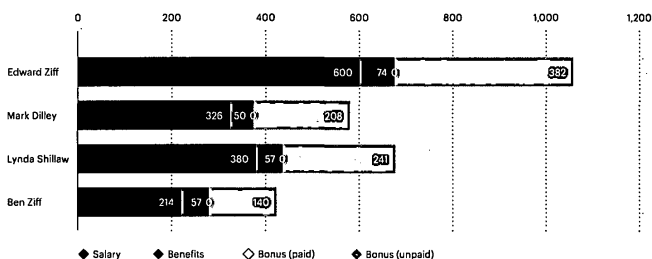
Notes to the single figure table – Annual bonus targets and outcomes for 2020

The current AGM approved bonus scheme allows for a maximum pay-out of 60% of base salary.

For the year ended 30 June 2020, the Executive Directors did not receive a bonus pay-out.

Board remuneration including theoretical maximum bonuses

Year ended 30 June 2020 (£000s)



Note:

The unpaid element of the bonus represents the full potential bonus awarded as there was no actual bonus awarded in the year.

Directors' Remuneration Report

continued

Annual Report on Remuneration (continued)

Scheme interests awarded during the financial year

Town Centre Securities PLC does not currently operate a long-term incentive plan. It does operate an All Employee Share Incentive Plan, approved by shareholders in December 2003. The investment limit is £1,800 per annum with a share matching element equal to 100% of the investment made subject to forfeiture should the individual cease to be employed during the first three years of the plan.

In May 2020 Edward Ziff, Ben Ziff and Mark Dilley accepted the annual invitation to participate in this All Employee Share Incentive Plan by each agreeing to purchase shares to the value of £1,800, paid between June 2020 and November 2020. They will be eligible to receive 'matching' shares on a one for one basis. The number of shares will be determined at the end of November 2020.

For illustration, based on the share price as at 30 June 2019, this would equate to each Director receiving 1,894 partnership shares and 1,894 matching shares. In November 2019 Edward Ziff, Mark Dilley, Lynda Shillaw and Ben Ziff received 869 partnership shares and 869 matching shares in respect of the 2019 Share Incentive Plan. The total number of partnership and matching SIP shares beneficially held at 30 June 2020 is shown below.

Executive	Holding of Partnership and Matching SIP Shares (30 June 2020)
Edward Ziff	6866
Mark Dilley	3218
Lynda Shillaw	1738
Ben Ziff	6866

Payments to past Directors/payments for loss of office

There were no payments to past Directors or payments for loss of office during the financial year.

Directors' shareholdings

The table below sets out the shares held by the Directors as at 30 June 2020:

	Beneficial	Non-beneficial
Edward Ziff	5,483,898	15,806,569
Mark Dilley	3,218	0
Lynda Shillaw	1,738	0
Ben Ziff	335,877	0
Michael Ziff	2,619,081	7,685,121

The non-beneficial interest disclosures include the 649,278 Ordinary Shares over which a power of attorney has been granted by Mrs ME Ziff jointly to Edward and Michael Ziff for personal estate management reasons and 6,404,665 Ordinary Shares over which a power of attorney has been granted by AL Manning to Edward Ziff for personal estate management reasons.

Non-beneficial holdings include shares held in trust and under powers of attorney.

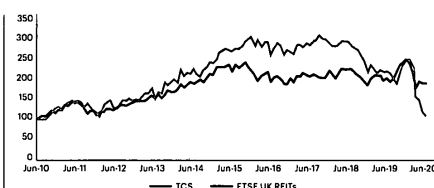
Edward Ziff, Lynda Shillaw and Mark Dilley are Directors of TCS Trustees Limited, Trustee for the shares that are required for the All Employee Share Incentive Plan. At 30 June 2019, TCS Trustees Limited held 81,488

Ordinary Shares (2019: 89,532) on behalf of all participants including those share awards of Executive Directors shown above.

There were no changes in Directors' shareholdings from 30 June 2020 and 22 September 2020 being the latest practicable date before this report was published.

Performance graph and table

The following graph shows the Company's Total Shareholder Return ('TSR') performance compared to the FTSE All Share REIT Index, over the ten years ended 30 June 2020. This index has been chosen because the Directors consider it the most appropriate comparison and TCS is a constituent of this list. This chart illustrates the movement in value of a hypothetical investment of £100 in TCS and the FTSE All Share REIT index.



Source: DataStream

Over the long term TCS has outperformed FTSE All Share REIT companies. On a 20-year basis TCS TSR was 5.0% versus the FTSE All Share REIT at 2.3%. On a 10-year basis TCS TSR was 0.8% behind the FTSE All Share REIT at 8.1%.

The adjacent table sets out the total remuneration and incentive plan pay-outs for the Executive Chairman and CEO over a ten-year period.

	Single total figure of remuneration (£000s)	Annual Bonus pay-out (% of maximum)
2019/20	674	0%
2018/19	684	0%
2017/18	914	40%
2016/17	809	20%
2015/16	718	10%
2014/15	782	30%
2013/14	784	33%
2012/13	604	0%
2011/12	672	13%
2010/11	669	23%

Percentage change in remuneration of Executive Chairman and Chief Executive Officer

The adjacent table sets out a comparison of the percentage change in base salary, benefits and bonus of the Executive Chairman and Chief Executive Officer versus the total employee population from 2019 to 2020.

	Executive Chairman and Chief Executive Officer (%)	Average pay for employees (%)
Salary % change	(1.6%)	5.5%
Taxable Benefits % change	0.0%	21.9%
Annual Bonus % change	0.0%	0.0%

1 Average pay for employees is calculated on a like for like basis for comparison purposes.

Directors' Remuneration Report

continued

Annual Report on Remuneration (continued)

Relative importance of spend on pay

The adjacent table shows how expenditure on total pay compares to other financial outgoings.

	2019 (£000)	2020 (£000)	% change
Staff remuneration costs	5,704	5,216	(8.6%)
Dividends to shareholders	6,247	6,247	0%

External appointments

None of the Executive Directors have other external appointments for which they are paid. Edward Ziff is the unpaid Chair and Trustee of Leeds Cares, and a member of the Leeds University Council.

Implementation of the Remuneration Policy for 2021

The following table outlines how TCS intends to implement the Remuneration Policy in the year ending 30 June 2021.

Component	Implementation for 2020
Base salary	The Committee usually agrees base salary increases effective from October. This year the Committee has agreed that there will be no such increase for Board Directors. The 20% COVID-19 reduction will be removed from October 2020.
Benefits	Benefits provisions will be as per 2020, to include cash and non-cash benefits, principally company cars or a cash alternative, permanent health and medical insurance premiums. The Chairman and Chief Executive receive reimbursement of the costs of maintaining a flat in London which is regularly used for Company meetings.
Pension	Edward Ziff does not receive a contribution. The Group makes payments to a Defined Contribution scheme for Mark Dilley (13% base salary) and Ben Ziff (13% base salary).
Annual bonus	Maximum opportunity 60% base salary (unchanged). The measures and weightings applying to the 2020 bonus will be disclosed in next year's report owing to commercial sensitivity.
SIP	Executive Directors will continue to participate in the SIP.
NED fees	There will be no change in NED fees. The 20% COVID-19 reduction will be removed from October 2020.

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee formally met twice during the year and following Directors were members of the Committee during 2020:

- ☐ Ian Marcus
- ☐ Paul Huberman
- ☐ Jeremy Collins

The key activities of the Committee during the year were:

- ☐ Approving the bonus outcome for 2019 (no payment).
- ☐ Approving the salary increases for 2019.
- ☐ Setting the bonus targets for 2020.
- ☐ Reviewing Service Contracts for continued appropriateness.
- ☐ Discussing structures for any potential future LTIP scheme.
- ☐ Reviewing and agreeing the approach to extend the previous Remuneration Policy for another year due to the disruption caused by COVID-19.
- ☐ Reviewing the Terms of Reference.
- ☐ Reviewing changes to Corporate Governance and the Committee's approach to these changes.

Statement of voting in relation to the 2019 AGM

	Annual Report on Remuneration
Votes For	96.05%
Votes Against	3.95%

This report was approved by the Board on 22 September 2020 and signed on its behalf by

Ian Marcus OBE
Chairman of the
Remuneration Committee

Directors' Report

Principal activities

The principal activities of the Group during the financial year remained those of property investment, development and trading and the provision of a hotel and car parking.

Company status

Town Centre Securities PLC is a public limited liability company incorporated under the laws of England and Wales. It has premium listing on the London Stock Exchange main market for listed securities (LON: TOWN).

Results for the year and dividends

The results for the year are set out in the Consolidated income statement on page 90.

An interim dividend of 3.25p per share was paid on 26 June 2020 as a FID. The Directors now propose a payment of a final dividend of 1.75p per share all payable as an ordinary dividend for approval of the shareholders at the forthcoming Annual General Meeting ('AGM'). The proposed final dividend will be paid on 5 January 2021 to Ordinary Shareholders on the register at the close of business on 4 December 2020.

Non-current assets

Details of movements in non-current assets are set out in note 12 to the consolidated financial statements.

Investment properties are held at fair value and were revalued by Jones Lang LaSalle and CBRE as at 30 June 2020, on the basis of open market value, or were revalued by the Directors. The key assumptions are set out in note 12 to the consolidated financial statements. In arriving at the valuation, each property has been valued individually.

Financial instruments

The key risks arising from financial instruments are considered to be Trade Debtors, Lease Liabilities and Borrowings, which are set out in further detail on pages 113–117.

Share capital

There were no changes in the Company's issued share capital during the year as set out in note 23 to the Consolidated Accounts. At 30 June 2020, there were 53,161,950 Ordinary Shares of 25p per share in issue and fully paid. The Company does not hold any Ordinary Shares in treasury. Including movements during the year, are set out in note 23 to the financial statements.

Purchase of own shares

The Company did not repurchase any of its own shares during the year. The Company currently holds no treasury shares.

At the forthcoming AGM the Company will be seeking to renew its authority to purchase up to 15% of the Ordinary Shares in issue, assuming the remaining authority is fully utilised. Shares will only be purchased if the Board believes it can take advantage of stock market conditions to enhance returns for the remaining shareholders.

Shareholder voting rights

The Company has only one type of Ordinary Share class in issue and all shares have equal entitlement to voting rights and dividend distributions.

The Company has no share option schemes in current operation and there are no unexercised options outstanding at 30 June 2020.

Town Centre Securities confirms that there are no restrictions concerning the transfer of securities in the Company; no special rights to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to the Company; and no agreements to which the Company is a party that might affect its control or trigger any compensatory payments for Directors following a successful takeover bid.

Political donations

The Group made no political contributions in the financial year (2019: nil).

Taxation

The Company is not a close company.

Directors and Directors' interests

The Directors of the Company and their biographical details are shown on pages 59–59. None of the Directors have any contracts of significance with the Company. Details of the Executive Directors' service contracts are given in the Directors' Remuneration Report on page 73.

Lynda Shillaw was a Director of the Company throughout the year ended 30 June 2020. Lynda resigned from the Board on 7 August 2020.

Beneficial and non-beneficial interests of the Directors in the shares of the Company as at 30 June 2020 are disclosed in the Directors' Remuneration Report on page 76. Details of the interests of the Directors in share options and awards of shares can be found within the same report.

In accordance with the UK Corporate Governance Code all Directors will retire at the Company's AGM on 17 November 2020 and offer themselves for re-election.

Service agreements of Executive Directors and terms of conditions of Non-Executive Directors available for inspection at Company's registered office.

Workforce engagement

Ian Marcus, Non-Executive Director, agreed to be workforce champion for the Company. Further details of workforce engagement are included on page 40.

Power of Directors

The Directors manage the business of the Company under the powers set out in the Company's Articles of Association (the 'Articles') and those contained within relevant UK legislation.

Directors' indemnity insurance

In accordance with the Company's Articles of Association, the Company has provided to all the Directors an indemnity (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office and the Company has taken out an insurance policy in respect of those liabilities. Neither the indemnity nor insurance provide cover in the event that the Director is proven to have acted dishonestly or fraudulently. The Company has appropriate Directors' and Officers' Liability insurance cover in respect of potential legal actions against the Directors.

2020 Annual General Meeting

A Notice of Meeting can be found on pages 134–142 explaining the business to be considered at the AGM on 17 November 2020 at Town Centre House, Leeds. This will include renewal of the Company's authority to purchase, in the market, its own shares and allot shares for cash other than on a pre-emptive basis to existing shareholders.

Going concern

Further detail is set out on page 51 of the Strategic Report.

Independent auditors

The auditors, BDO LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the AGM.

Relationship agreements

In accordance with the UK Listing Rules, the Company has entered into an agreement with the Ziff family Concert Party which, as it controls more than 30% of the Group's total issued share capital, is deemed a controlling shareholder. The relationship agreement is intended to ensure the controlling shareholder complies with the independence provisions in Listing Rule 9.2.2A.

Under the terms of the relationship agreement, the Principal Concert Party shareholders (Mr E Ziff and Mr M Ziff) have agreed to procure the compliance of other individual members of the Ziff family concert party who are treated as controlling shareholders with independence obligations in the relationship agreement. The Ziff family concert party, as controlling shareholders of the Company, have a combined aggregate holding of approximately 51.3% of the Company's voting rights.

The Board confirms that, since the entry into the relationship agreement until 22 September 2020, being the latest practicable date prior to the publication of this Annual Report and Accounts:

- ☐ the Company has complied with the independence provisions included in the relationship agreement;
- ☐ so far as the Company is aware, the independence provisions included in the relationship agreement have been complied with by the Ziff family concert party and their associates; and
- ☐ so far as the Company is aware, the procurement obligation included in the relationship agreement has been complied with by the Principal Concert Party shareholders.

Substantial shareholdings

As at 22 September 2020, being the last practicable date, the Company had been notified, in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules, that the shareholders in the table below held, or were beneficially interested in, 3% or more of the voting rights in the Company's issued share capital.

	Number of shares	% of Issued Capital
Ziff Concert Party	27,285,170	51.3%
New Fortress Finance Holdings Limited	4,308,117	8.1%

Post-balance sheet events

Post-balance sheet events since 30 June 2020 are detailed in note 27.

By order of the Board

Link Company Matters Limited
Company Secretary
22 September 2020

MDC

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- ☐ select suitable accounting policies and then apply them consistently;
- ☐ make judgements and accounting estimates that are reasonable and prudent;
- ☐ state whether IFRS as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- ☐ prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the Company's website: tcs-plc.co.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 58–59, confirms that, to the best of their knowledge:

- ☐ the financial statements, prepared in accordance with the applicable set of accounting standards, are a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and
- ☐ the Strategic Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and the information provided to the shareholders is sufficient to allow them to assess the Company's performance, business model and strategy.

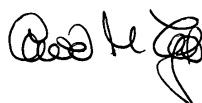
This responsibility statement for the year ended 30 June 2020 was approved by the Board on 22 September 2020.

Disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the reasonable steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are made aware of that information.

For and on behalf of the Board

Dr. Edward Ziff OBE DL
Chairman & Chief Executive
22 September 2020



Financial Statements

03. Financial Statements	84
Independent Auditor's Report	80
Consolidated income statement	90
Consolidated statement of comprehensive income	91
Consolidated balance sheet	92
Consolidated statement of changes in equity	93
Consolidated cash flow statement	94
Notes to the consolidated financial statements	122
Company balance sheet	123
Statement of changes in equity	124
Notes to the Company financial statements	124

Independent Auditor's Report

to the members of Town Centre Securities Plc

Opinion

We have audited the financial statements of Town Centre Securities Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2020 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company statements of changes in equity, the Consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- ☐ give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2020 and of the Group's loss for the year then ended;
- ☐ the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- ☐ the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ☐ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 of the financial statements, which indicates the Directors' consideration over going concern, including the potential impact of the current COVID-19 outbreak on the Group and its future compliance with debt facility covenants. As stated in note 1, these events or conditions, along with other matters as set out in note 1 indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

In respect of the work completed in this area we completed the following:

- ☐ a comparison of the best estimate forecasts prepared by management to the actual results in the financial period being audited along with an assessment of the assumptions used to substantiate the potential impact of COVID-19 through use of sensitivity analysis on these key assumptions and an overall comparison to actual post year end results;
- ☐ confirmed the accuracy of the management forward looking covenant calculations on the banking facilities based on the forecast figures;
- ☐ challenged management on the banking relationships and anticipated renewals of these facilities including discussion with the board and examination of correspondence with the bank; and
- ☐ an assessment of the assumptions within the longer term cash flow forecast used in the preparation of the viability statement, including a challenge of management decisions to use a two-year viability statement to allow greater short term accuracy in light of the immediate potential impact of COVID-19.

Conclusions relating to principal risks, going concern and viability statement

Other than the matters referred to in the Material uncertainty related to going concern section we have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- ☐ the Directors' confirmation set out on page 50 in the Annual Report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the Annual Report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;

- ☐ whether the Directors' statements relating to going concern and their assessment of the prospects of the Group required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- ☐ the Directors' explanation set out on page 51 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of the Group's property interests:

Key audit matter

The valuation of the Group's property interests (pages 108–110) is the key driver of the Group's net asset value and underpins the results for the year. See page 96 for accounting policies.

These interests, totalling £370.2m (2019: £394.7m) consist of investment and development properties, car park fixed assets, and interests in joint ventures: being the Group's share of the fair value of investment and development properties within these joint ventures.

All interests in property as listed above are subject to independent revaluation to open market value at each reporting date by management's third party valuation experts, with the exception of two properties totalling £151k (2019: £151k) which are subject to internal Director valuation.

The valuation of the Group's property interests, including those held in joint ventures, depends on the individual nature of each property, including its location, and the rental income it generates. The assumptions on which the valuations are based are further influenced by quality of tenant, prevailing market yields and comparable market transactions.

Assets held as development properties are valued using a comparable sale approach or income based approach if being utilised as car parks. Where assets are undergoing development, these are generally valued using the residual appraisal method, which estimates the fair value of the completed project, including a suitable developers profit and deductions for expected costs to complete.

All of these valuation methods can require significant judgement and estimation to be applied by management and the external valuation experts, increasing the inherent risk in this area.

Note 12 to the financial statements also explains that as a result of the impact of the outbreak of the Novel Coronavirus (COVID-19) on the market, the Company's property valuer has advised that less certainty, and a higher degree of caution, should be attached to certain property valuations within the Group's portfolio than would normally be the case.

In light of the above, along with the materiality of the balances, we consider this to be a significant risk area as small percentage changes in each key assumption could materially affect the carrying value of the assets concerned.

Independent Auditor's Report continued

to the members of Town Centre Securities Plc

Key audit matters (continued)

How the scope of our audit responded to the matter

Our audit approach to this area included an assessment of management's external valuation experts objectivity, independence and qualifications to undertake the valuation.

We held meetings with both management's external valuation experts in which we confirmed directly with these experts that the valuations had been performed on bases consistent with practices approved by the Royal Institute of Chartered Surveyors ('RICS') and the requirements of FRS as adopted by the European Union and United Kingdom Generally Accepted Accounting Practice.

We tested a sample of the key inputs used in the valuation calculations by agreeing underlying data used to internal tenancy schedules, capital expenditure details and lease terms, which were agreed back to appropriate supporting documentation.

We attended meetings with management's valuation experts to further understand the methodology applied

and challenge them on any key assumptions made. In doing this, we considered movements in yield that were outside of a tolerable range based on our own and wider market expectations.

For development properties valued on a residual basis, we obtained the development appraisal and assessed the costs and assumptions included against our knowledge and experience. For development properties valued on a comparable basis, we have obtained details of the comparable sites and checked the appropriateness of using this information with the valuation calculation.

Key observation:

Based on procedures performed, we consider the methodology applied and the assumptions made in the valuation of the Group's property interests to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, individually or in aggregate and including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £3,500,000 (2019: £3,700,000). This was determined with reference to a benchmark of total non-current assets (of which it represents 1 per cent (2019: 1 per cent)), which we consider to be one of the principal considerations for members of the Parent Company in assessing the financial performance of a property investment group. The materiality for the Parent Company financial statements was set at £1,200,000 (2019: £3,700,000) with reference to a benchmark of total non-current assets excluding investments in subsidiaries, of which it represents 1% (2019: 1% of total non-current assets).

International Standards on Auditing (UK) also allow the auditor to set a lower materiality, specific materiality, for particular classes of transactions, balances or disclosures

for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set specific materiality for the Group of £260,000 (2019: £320,000) to apply to all classes of transactions and balances excluding non-current assets, any property revaluation movements, gains or losses on disposal of properties and changes in the fair value of financial instruments. For the Parent Company financial statements this was set at £150,000 (2019: £210,000). This was set with reference to a benchmark of profit after taxation excluding investment and development property revaluations, gains/losses on investing and trading property disposals and changes in the fair value of financial instruments, averaged over three years.

Performance materiality was set at 70% (2019: 65%) of the above materiality levels. Performance materiality is set with regard to the number and size of historic adjustments, management's attitude towards proposed adjustments and the number of accounts subject to estimation.

Component materiality was set at levels between £140,000 and £1,470,000 (2019: £140,000 and £1,560,000) with specific materiality for components being set between £34,000 and £170,000 (2019: £100,000 and £210,000).

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £18,000 (2019: £16,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement due to fraud.

The Group operates solely in the United Kingdom through a number of legal entities, which form reporting components. Significant components were defined as those reporting components contributing more than 15% towards Group assets, turnover or profits, or if judgementally considered to be significant by nature. The financial information relating to the Parent Company and all other significant components of the Group were subject to full scope audits by the Group audit team. We also perform full scope statutory audits on the trading non-significant components, however the extent of this work completed for the Group accounts is limited to those areas deemed material to the Group accounts on either an individual or aggregate basis across all components.

The extent to which the audit was capable of detecting irregularity including fraud

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Group's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law, UK tax legislation (including the REIT regime requirements) and the UK Listing Rules, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof,

and made similar enquiries of advisers to the Group, where information from that adviser has been used in the preparation of the Group financial statements. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with the auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by the auditing standards would identify it.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- ☐ **Fair, balanced and understandable set out on page 65** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

Independent Auditor's Report continued

to the members of Town Centre Securities Plc

- **Audit Committee reporting set out on page 68**
– the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 64**
– the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the

Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 82, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

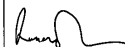
Following the recommendation of the Audit Committee, we were reappointed by the members at the Annual General Meeting on 25 November 2019 to audit the financial statements for the year ending 30 June 2020. The period of total uninterrupted engagement is 5 years, covering the years ending 30 June 2016 to 30 June 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Russell Field
Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
22 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

for the year ended 30 June 2020

	Notes	2020 £000	2019 £000
Gross revenue	3	27,989	31,418
Provision for impairment of debtors	3	(1,478)	(229)
Property expenses	3	(10,452)	(11,600)
Net revenue		16,059	19,589
Administrative expenses	4	(6,197)	(6,857)
Other income	7	1,218	574
Other expenses	7	(777)	-
Valuation movement on investment properties		(26,324)	(18,308)
Reversal of impairment of car parking assets		250	200
Profit/(loss) on disposal of investment properties		168	(709)
Share of post tax profits from joint ventures	14	450	1,067
Operating loss		(15,153)	(4,444)
Finance costs	8	(9,009)	(6,025)
Loss before taxation		(24,162)	(12,469)
Taxation	9	-	-
Loss for the year attributable to owners of the Parent		(24,162)	(12,469)
Earnings per share			
Basic and diluted	11	(45.5)p	(23.4)p
EPRA (non-GAAP measure)	11	3.9p	12.0p
Adjusted EPRA (non-GAAP measure)		4.9p	12.0p
Dividends per share			
Paid during the year	10	11.75p	11.75p
Proposed	10	1.75p	8.5p

Consolidated statement of comprehensive income

for the year ended 30 June 2020

	2020 £000	2019 £000
Loss for the year	(24,162)	(12,469)
Items that may be subsequently reclassified to profit or loss		
Revaluation movement on car parking assets	-	500
Items that will not be subsequently reclassified to profit or loss		
Revaluation (losses)/gains on other investments	(2,363)	2,341
Total other comprehensive (loss)/ income	(2,363)	2,841
Total comprehensive loss for the year	(26,525)	(9,628)

All profit and total comprehensive income for the year is attributable to owners of the Parent.
The notes on pages 94-120 are an integral part of these consolidated financial statements.

Consolidated balance sheet

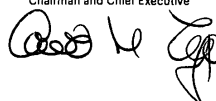
as at 30 June 2020

	Notes	2020 £000	2019 £000
Non-current assets			
Property rental			
Investment properties	12	280,914	324,500
Investments in joint ventures	14	13,751	13,387
		294,665	337,887
Car park activities			
Freehold and leasehold properties	12	50,159	24,194
Goodwill	13	4,024	4,024
Investments	15	2,656	2,510
		56,839	30,728
Fixtures, equipment and motor vehicles	12	1,113	1,609
Total non-current assets		352,617	370,224
Current assets			
Investments	15	3,508	5,871
Assets held for sale	12	23,199	-
Trade and other receivables	16	3,468	5,354
Cash and cash equivalents		12,643	23,692
Total current assets		42,818	34,917
Total assets		395,435	405,141
Current liabilities			
Trade and other payables	17	(23,382)	(34,739)
Financial liabilities	18	(61,984)	-
Total current liabilities		(85,366)	(34,739)
Non-current liabilities			
Financial liabilities	18	(154,591)	(182,152)
Total liabilities		(239,957)	(216,891)
Net assets		155,478	188,250
Equity attributable to the owners of the Parent			
Called up share capital	23	13,290	13,290
Share premium account		200	200
Capital redemption reserve		559	559
Revaluation reserve		750	250
Retained earnings		140,679	173,951
Total equity		155,478	188,250
Net asset value per share	21	292p	354p

Company number: 00623364

The financial statements on pages 94-120 were approved by the Board of Directors on 22 September 2020 and signed on its behalf by

Dr. Edward Ziff OBE DL
Chairman and Chief Executive



Consolidated statement of changes in equity

for the year ended 30 June 2020

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
Balance at 30 June 2018	13,290	200	559	250	189,826	204,125
<i>Comprehensive income for the year</i>						
Loss for the year	-	-	-	-	(12,469)	(12,469)
Other comprehensive income	-	-	-	-	2,841	2,841
Total comprehensive income for the year	-	-	-	-	(9,628)	(9,628)
<i>Contributions by and distributions to owners</i>						
Final dividend relating to the year ended 30 June 2018	-	-	-	-	(4,519)	(4,519)
Interim dividend relating to the year ended 30 June 2019	-	-	-	-	(1,728)	(1,728)
Balance at 30 June 2019	13,290	200	559	250	173,951	188,250
<i>Comprehensive income for the year</i>						
Loss for the year	-	-	-	-	(24,162)	(24,162)
Other comprehensive income	-	-	-	-	(2,363)	(2,363)
Transfer	-	-	-	500	(500)	-
Total comprehensive loss for the year	-	-	-	500	(27,025)	(26,525)
<i>Contributions by and distributions to owners</i>						
Final dividend relating to the year ended 30 June 2019	-	-	-	-	(4,519)	(4,519)
Interim dividend relating to the year ended 30 June 2020	-	-	-	-	(1,728)	(1,728)
Balance at 30 June 2020	13,290	200	559	750	140,679	155,478

Consolidated cash flow statement

for the year ended 30 June 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Cash generated from operations	24	14,433	11,090
Interest paid		(7,648)	(7,678)
Net cash generated from operating activities		6,785	3,412
Cash flows from investing activities			
Purchase and construction of investment properties		(1,610)	(25,517)
Refurbishment of investment properties		(5,442)	(3,740)
Payments for leasehold property improvements		(25)	(255)
Purchases of fixtures, equipment and motor vehicles		(93)	(814)
Proceeds from sale of investment properties		2,494	17,089
Proceeds from sale of fixed assets		-	23
Payments for acquisition of non-listed investments		(146)	(385)
Repayment of loans from/(investments in) joint ventures		86	(723)
Distributions received from joint ventures		-	28,145
Net cash (used in)/generated from investing activities		(4,736)	13,823
Cash flows from financing activities			
Proceeds from/(repayment of) non-current borrowings		8,000	(16,233)
Movement in lease liabilities		(1,650)	(19)
Dividends paid to shareholders		(6,247)	(6,247)
Net cash generated from/(used in) financing activities		103	(22,499)
Net increase/(decrease) in cash and cash equivalents		2,152	(5,264)
Cash and cash equivalents at beginning of the year		209	5,473
Cash and cash equivalents at end of the year		2,361	209

Cash and cash equivalents at the year end are comprised of the following:

Cash balances	12,643	23,692
Overdrawn balances	(10,282)	(23,483)
	2,361	209

The Consolidated cash flow statement should be read in conjunction with note 24.

Notes to the consolidated financial statements

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Town Centre Securities PLC (the 'Company') is a public limited company domiciled in the United Kingdom. Its shares are listed on the London Stock Exchange. The consolidated financial statements of the Company for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the Group). The address of its registered office is Town Centre House, The Merrion Centre, Leeds, LS2 8LY.

Basis of preparation

Statement of compliance

The consolidated financial statements of Town Centre Securities PLC have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006.

Income and cash flow statements

The Group presents its Income Statement by nature of expense. The Group reports cash flows from operating activities using the indirect method. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities. Cash flows from investing and financing activities are determined using the direct method.

Preparation of the consolidated financial statements

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of the Group's property interests and other investments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions are changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

Changes in accounting policy and disclosure

(a) Standards, amendments to published standards and interpretations effective for the period ended 30 June 2020

IFRS 16 Leases - Details of the impact this standard has had are given in note 26 below. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

(b) New standards, amendments to published standards and interpretations issued but not effective for the period ended 30 June 2020 and not early adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning 1 July 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material)
- IFRS 3 Business Combinations (Amendment - Definition of Business)
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Group is currently assessing the impact of these new accounting standards and amendments.

Going concern

In making their assessment of the ability of the Group to continue as a going concern the Directors have considered the impact of COVID-19 on both the liquidity and compliance with bank loan covenants of the Group as a whole.

The Group owns a portfolio of multi-let regional property assets located throughout the UK, and operates a car parking business. The business is funded in part by a £106m debenture which is due for repayment in 2031. In addition the business has three bilateral RCF facilities totalling £103m which are due for repayment or renewal between April 2022 and June 2023. In order to assess the potential impact of COVID-19 on the Group and its ability to continue as a going concern, management have analysed the portfolio's tenant base and car parking operation and produced forecasts to 31 December 2021. These forecasts reflect management's view of a worst case scenario including assumptions that rent receipts are materially lower than normally experienced and that the car park and hotel businesses recovers over the forecast period to a materially lower level than would normally be expected.

These forecasts show that the Group has sufficient resources to continue to operate as a going concern for at least the next 12 months. Based on the forecasts, including the mitigating options utilised such as the government approved furlough scheme and VAT and PAYE pay deferral available to the Group the Directors consider it appropriate to prepare these financial statements on the going concern basis.

However, the debt facilities include an interest cover covenant and a loan to value covenant. The Group is currently in compliance with all of its covenants. Were there to be a deterioration in rent collection or sentiment towards the value of these assets as a result of COVID-19 there is a possibility that these covenants could be breached. Whilst these forecasts provide robust support, in light of the uncertainty in respect of the adverse impacts of COVID-19, its duration, the ability of the Group to obtain loan covenant waivers if required and the current bank facility renewal, a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern and therefore its ability to realise its assets and settle its liabilities within the ordinary course of business.

These financial statements do not include the adjustments that would be necessary should the going concern basis of preparation no longer be appropriate.

Consolidation

(a) Subsidiaries

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries ('the Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquirer's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

(b) Joint Arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its joint ventures post-acquisition profits or losses is recognised in the Income Statement. Investments in joint ventures are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of net assets of the joint ventures less any impairment in the value of the investment. Any impairment is initially recognised against the equity value, or if nil, against any outstanding loan balances.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the consolidated financial statements

(continued)

1. ACCOUNTING POLICIES CONTINUED

Segmental reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Group operates in three business segments comprising property rental, car park operations and hotel operations. The Group's operations are performed wholly in the United Kingdom.

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Non-current assets

(a) Investment properties

Investment property comprises freehold land and buildings and long-leasehold buildings. This comprises mainly retail units, offices and operational car parks, and is measured initially at cost, including related transaction costs. These are held as investments to earn rental income and for capital appreciation and are stated at fair value at the balance sheet date.

The acquisition or disposal of investment property is recognised at the point of unconditional exchange.

After initial recognition investment property is carried at fair value, based on market values. It is then determined twice annually by independent external valuers or held at Directors' valuation if appropriate. The gains or losses arising from these valuations are included in the Consolidated income statement. When an existing investment property is redeveloped for continued future use as an investment property, it remains an investment property whilst in development.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

Subsequent expenditure is added to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Consolidated income statement during the financial period in which they are incurred.

Borrowing costs associated with direct expenditure on properties undergoing major refurbishment are capitalised. The amount is calculated using the Group's weighted average cost of borrowing.

Property that is being constructed or developed for future use as an investment property is also classified as investment property under the sub-heading development property and is stated at fair value.

The gain or loss arising on the disposal of investment properties is determined as the difference between the net sale proceeds and the carrying value of the asset at the beginning of the period and is recognised in the Consolidated income statement of the period during which the sale becomes unconditional. In circumstances where the conditional exchange of contracts and the completion of the disposal fall on either side of the balance sheet date, the asset is re-classified as a current asset in the Consolidated Balance Sheet.

(b) Freehold and leasehold properties

Freehold and leasehold properties are initially recognised at cost and are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss. Freehold land is not depreciated. Properties held under finance leases are initially valued at the present value of minimum lease payments payable over the term of the lease. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items within this category so as to write off their carrying value over their expected useful economic lives.

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

(c) Fixtures, equipment and motor vehicles

Fixtures, equipment and motor vehicles are shown at historical cost less depreciation and provision for impairment. Historic cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis at rates appropriate to write off individual assets over their estimated useful lives of between three and ten years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Consolidated income statement.

Fair value

Fair value estimation under IFRS 13 requires the Group to classify for disclosure purposes fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements on its financial assets. The fair value hierarchy has the following levels:

- Level (1) quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level (2) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level (3) inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of assets held for sale, other financial assets and investment property are determined by using valuation techniques. See note 2 for further details of the judgements and assumptions made in relation to investment properties.

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued. Direct costs of acquisition are recognised immediately as an expense. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the Consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Consolidated statement of comprehensive income on the acquisition date.

Investments

Other than where the Group has taken an irrevocable election to recognise investments as fair value through other comprehensive income, the Group treats all investments as fair value through profit and loss.

Purchases and sales of investments are recognised on the trade date, which is the date the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Equity instruments are valued at fair value at each reporting date. The fair values of listed investments are based on current bid prices. Any fair value gains and losses arising on equity instruments classified as fair value through profit and loss are recognised in the income statement. However, an assessment for each individual equity instrument not held for trading is considered, to establish whether an irrevocable election under IFRS 9 should be made to classify the instrument at fair value through other comprehensive income. Where this election has been made, fair value gains are recognised through other comprehensive income.

Dividends on equity instruments are recognised in the Consolidated income statement when the Group's right to receive payment is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for equity instruments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Consolidated income statement.

Notes to the consolidated financial statements

(continued)

1. ACCOUNTING POLICIES CONTINUED

Investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured due to the range of reasonable fair value measurements obtained being significant are measured at cost, being the most reliable estimate of fair value at the period end.

Trade and related party receivables

Trade and related party receivables (such as loans to joint ventures or loans to investments) are recognised initially at fair value and are subsequently measured at amortised cost less provision for impairment. The amount of the provision is recognised in the Consolidated income statement.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the Consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the Consolidated statement of comprehensive income (operating profit).

Cash and cash equivalents

Cash and cash equivalents are carried in the Consolidated balance sheet are held at amortised cost. Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the Consolidated balance sheet.

Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Borrowings

Borrowings are recognised net of transaction costs incurred. Debt finance costs are amortised based on the effective interest rate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Leased assets

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of 12 months or less.

IFRS 16 was adopted 1 July 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 26. The following policies apply subsequent to the date of initial application, 1 July 2019. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 30).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Notes to the consolidated financial statements

(continued)

1. ACCOUNTING POLICIES CONTINUED

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk.

Typically, factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the Group.

Prior year comparatives

As IFRS 16 has been adopted during the year using the modified retrospective approach the prior year comparative balances have not been restated and therefore been reported in line with the policy set out below.

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a 'finance lease'), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the Consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor. Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the Consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Operating leases

(a) A Group company is the lessee

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated income statement on a straight-line basis over the period of the lease.

(b) A Group company is the lessor

Properties leased to third parties under operating leases are included in investment property in the Consolidated Balance Sheet. The leases in our portfolio have a wide variety of term and tenures and there is no standard.

Unamortised tenant lease incentives

Leasehold incentives given to tenants on entering property leases are recognised as unamortised lease incentives. The operating lease incentives are spread over the non-cancellable life of the lease. Where this ends with a clean break clause the incentives are spread to this date unless management is reasonably certain that the break will not be exercised.

Taxation

The tax charge in the Consolidated income statement comprises tax currently payable.

Town Centre Securities PLC elected for group Real Estate Investment Trust (REIT) status with effect from 2 October 2007. As a result the Group no longer pays United Kingdom corporation tax on the profits and gains from its qualifying rental business in the United Kingdom provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. On entering the REIT regime an entry charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was payable. Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business was released to the Income Statement as the relevant temporary differences are no longer taxable on reversal.

In respect of non-qualifying activities and related profits, gains and losses:

(a) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, no provision for deferred tax is made for temporary differences arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group is entitled to settle its current tax assets and liabilities on a net basis.

(b) Current tax

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates of tax that have been enacted by the balance sheet date.

Employee benefits

The Group operates defined contribution arrangements for all eligible Directors and employees. A defined contribution plan is a pension plan under which the Group pays contributions into a private or publicly administered pension insurance plan. Pension costs are charged to the Consolidated income statement in the period when they fall due. Pre-paid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Revenue recognition

(a) Rental income

Revenue includes the fair value of rental income and management charges from properties (net of Value Added Tax). Deferred income is only recognised to the extent it is expected to be recovered from tenants.

This income is recognised as it falls due, in accordance with the lease to which it relates. Any lease incentives are spread evenly across the period of the lease.

This income is recognised as follows:

- rental income is recognised on an accrual basis on a straight-line basis over the term of the lease;
- turnover rents are based on underlying turnover and are recognised in the period to which the turnover relates; and
- rent reviews are recognised with effect from the review date.

(b) Car park income

Contract car park income is recognised on a straight-line basis over the relevant period, in accordance with the contract to which it relates. Daily car park income is recognised when received.

(c) Hotel income

Room revenue is recognised on a daily basis in accordance with the date of the overnight stay. Food and beverage revenue is recognised at the point of sale.

Notes to the consolidated financial statements

(continued)

1. ACCOUNTING POLICIES CONTINUED

(d) Interest income

Interest income on any short-term deposits is recognised in the Consolidated income statement as it accrues.

(e) Other income

Other income includes dividend income, which is recognised when the right to payment is established and surrender premiums or lease assignments received from outgoing tenants prior to the termination of their lease.

(f) Service charge income

Service charge income receivable from tenants relating to management fees is recognised on a straight-line basis over the relevant period.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised in the consolidated financial statements as follows:

- interim dividends are recognised in the period they are paid;
- final dividends are recognised in the period in which the dividends are approved by the Company's shareholders.

Reserves

Reserves are analysed in the following categories:

- Share capital represents the nominal value of issued share capital.
- Share premium represents any consideration received in excess of nominal value of the shares issued.
- Capital redemption reserve represents the nominal value of the Company's own shares that have been repurchased and cancelled.
- Revaluation reserve represents the surplus valuation movement upon revaluation of freehold and leasehold property relating to car park activities.
- Retained earnings represents the cumulative profit or loss position less dividend distributions.

Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, cash flow and fair value interest rate risk, capital risk and price risk.

(a) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution. The Group has no significant concentration of credit risk as exposure is spread over a large number of counterparties and tenants.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury policy aims to maintain flexibility in funding by keeping committed credit lines available.

(c) Cash flow and fair value interest rate risk

The Group has no significant interest bearing assets. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce profits or create losses in the event that unexpected movements arise.

The Group continually reviews interest rates and interest rate risk and has a policy of monitoring the costs and benefits of interest rate fixing instruments with a view to hedging exposure to interest rate risk on a regular basis.

At 30 June 2020, 56.8% (2019: 59.4%) of the Group's borrowings were under long-term fixed rate agreements and therefore were protected against future interest rate volatility.

(d) Capital risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and to provide for an appropriate level of dividend payments to shareholders.

The Group is not subject to external regulatory capital requirements.

(e) Price risk

Current asset investments are subject to price risk as a result of fluctuations in the market. The Group limits the amount of exposure by continually assessing the performance of these investments.

(f) Compliance with covenants

The Group's bank facilities and the mortgage debenture stock include a number of covenants principally relating to income and capital cover. The Directors monitor performance against these covenants on a regular basis.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value amounts of assets and liabilities within the next financial year are as follows:

- Group's property investments – the basis of valuation is set out in note 12
- Accounting for YPS investment – an assessment of the level of influence over this investment has been set out within the Audit Committee Report
- IFRS 16 – the incremental borrowing rate has been based on the interest rates of the Group's Revolving Credit Facilities, adjusted for individual leases as appropriate

3. SEGMENTAL INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

(A) Segmental assets

	2020 £000	2019 £000
Property rental	333,307	363,375
Car park activities	53,498	31,466
Hotel operations	8,630	10,300
	395,435	405,141

Notes to the consolidated financial statements

(continued)

3. SEGMENTAL INFORMATION CONTINUED

(B) Segmental results

	2020				2019			
	Property rental £000	Car park activities £000	Hotel operations £000	Total £000	Property rental £000	Car park activities £000	Hotel operations £000	Total £000
Gross revenue	15,875	10,198	1,916	27,989	16,637	12,154	2,627	31,418
Provision for impairment of debtors	(1,478)	-	-	(1,478)	(229)	-	-	(229)
Service charge income	2,803	-	-	2,803	2,976	-	-	2,976
Service charge expenses	(4,011)	-	-	(4,011)	(3,990)	-	-	(3,990)
Property expenses	(1,495)	(5,970)	(1,779)	(9,244)	(1,424)	(6,766)	(2,396)	(10,586)
Net revenue	11,694	4,228	137	16,059	13,970	5,388	231	19,589
Administrative expenses	(5,086)	(1,111)	-	(6,197)	(5,889)	(968)	-	(6,857)
Other income	1,218	-	-	1,218	569	5	-	574
Other expenses	(777)	-	-	(777)	-	-	-	-
Share of post-tax profits from joint ventures	800	-	-	800	1,075	-	-	1,075
Operating profit before valuation movements	7,849	3,117	137	11,103	9,725	4,425	231	14,381
Valuation movement on investment properties	(26,324)	-	-	(26,324)	(18,308)	-	-	(18,308)
Reversal of impairment of car parking assets	-	250	-	250	-	200	-	200
Profit/(loss) on disposal of investment properties	168	-	-	168	(709)	-	-	(709)
Valuation movement on joint venture properties	(350)	-	-	(350)	(8)	-	-	(8)
Operating (loss)/profit	(18,657)	3,367	137	(15,153)	(9,300)	4,625	231	(4,444)
Finance costs	-	-	-	(9,009)	-	-	-	(8,025)
Loss before taxation	-	-	-	(24,162)	-	-	-	(12,469)
Taxation	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	(24,162)	-	-	-	(12,469)

All results are derived from activities conducted in the United Kingdom.

The results for the car park activities include the car park at the Merlion Centre. As the value of the car park cannot be separated from the value of the Merlion Centre as a whole, the full value of the Merlion Centre is included within the assets of the property rental business.

The car park results also include car park income from sites that are held for future development. The value of these sites has been determined based on their development value and therefore the total value of these assets has been included within the assets of the property rental business.

The net revenue at the Merlion Centre and development sites for the year ended 30 June 2020, arising from car park operations, was £3,053,000. After allowing for an allocation of administrative expenses, the operating profit at these sites was £2,251,000.

Revenue received within the car park and hotel segments is the only revenue recognised on a contract basis under IFRS 15. All other revenue within the property segment comes from rental lease agreements.

4. ADMINISTRATIVE EXPENSES

	2020 £000	2019 £000
Employee benefits	3,893	4,240
Depreciation	227	339
Charitable donations	49	92
Other	2,028	2,186
	6,197	6,857

5. SERVICES PROVIDED BY THE GROUP'S EXTERNAL AUDITORS

During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

	2020 £000	2019 £000
Audit services:		
- Fees payable to the Group auditors for the audit of the consolidated financial statements	85	85
- Audit of the Company's subsidiaries pursuant to legislation	10	10
- Other audit related services	15	15
Total audit services	110	110
Non-audit services:		
- Other non-audit services	2	2
Total other services	2	2
Total auditors' remuneration	112	112

6. EMPLOYEE BENEFITS

	2020 £000	2019 £000
Wages and salaries (including Directors' emoluments)	4,547	4,969
Social security costs	537	620
Other pension costs	132	115
	5,216	5,704

Employee benefits detailed above are charged to the Consolidated income statement through administrative expenses and property expenses. These are presented net of furlough claims received from HMRC under the Coronavirus Job Retention Scheme.

Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement are included on pages 72-79 in the Directors' Remuneration Report and form part of these consolidated financial statements.

The average monthly number of staff employed during the year was 127 (2019: 135).

The Group operates pension arrangements for the benefit of all eligible Directors and employees, which are defined contribution arrangements. The assets of the arrangements are held separately from those of the Group in independently administered funds. All of the pension costs in the table above relate to defined contribution schemes.

Notes to the consolidated financial statements

(continued)

7. OTHER INCOME AND EXPENSES

Other income

	2020 £000	2019 £000
Commission received	172	172
Dividends received	33	33
Management fees receivable	245	207
Dilapidations receipts and income relating to lease premiums	715	85
Other	53	77
	1,218	574

Other expenses

During the year a provision of £777,000 has been recognised in relation to costs incurred on a project that may not be recoverable. Costs have been incurred over a number of years on the planned George Street aparthotel joint venture however there is some doubt over the future viability of the project, therefore a full provision has been recognised against the costs incurred to date.

8. FINANCE COSTS

	2020 £000	2019 £000
Interest payable on debenture loan stock	5,698	5,698
Interest payable on bank borrowings	1,950	1,981
Amortisation of arrangement fees	327	346
Interest expense on lease liabilities	1,034	-
Total finance costs	9,009	8,025

9. TAXATION

There was no current or deferred tax charge for both of the years presented.

Taxation for the year is lower (2019: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Profit before taxation	(24,162)	(12,469)
Profit on ordinary activities multiplied by rate of corporation tax in the United Kingdom of 19% (2019: 19%)	(4,591)	(2,369)
Effects of:		
- United Kingdom REIT tax exemption on net income before revaluations	(398)	(1,206)
- United Kingdom REIT tax exemption on revaluations	4,989	3,575
Total taxation	-	-

Factors affecting current and future tax charges

Town Centre Securities PLC elected for group REIT status with effect from 2 October 2007. As a result the Group no longer pays United Kingdom corporation tax on the profits and gains from its qualifying rental business in the United Kingdom provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal.

10. DIVIDENDS

	2020 £000	2019 £000
2018 final paid: 8.50p per share	-	4,519
2019 interim paid: 3.25p per share	-	1,728
2019 final paid: 8.50p per share	4,519	-
2020 interim paid: 3.25p per share	1,728	-
	6,247	6,247

An interim dividend in respect of the year ended 30 June 2020 of 3.25p per share was paid to shareholders on 26 June 2020. This dividend was paid entirely as a Property Income Distribution (PID).

A final dividend in respect of the year ended 30 June 2020 of 1.75p per share is proposed. This dividend, based on the shares in issue at 22 September 2020, amounts to £0.8m which has not been reflected in these accounts and will be paid on 5 January 2021 to shareholders on the register on 4 December 2020. The entire dividend will be paid as an ordinary dividend.

11. EARNINGS PER SHARE

The calculation of basic earnings per share has been based on the profit for the year, divided by the weighted average number of shares in issue. The weighted average number of shares in issue during the year was 53,161,950 (2019: 53,161,950).

	2020		2019	
	Earnings £000	Earnings per share p	Earnings £000	Earnings per share p
Loss for the year and earnings per share	(24,162)	(45.5)	(12,469)	(23.4)
Valuation movement on investment properties	26,324	49.5	18,308	34.5
Reversal of impairment of car parking assets	(250)	(0.5)	(200)	(0.4)
Valuation movement on properties held in joint ventures	350	0.7	8	0.0
Profit/loss on disposal of investment and development properties	(168)	(0.3)	709	1.3
EPRA earnings and earnings per share	2,094	3.9	6,356	12.0
Impact of IFRS 16 adjustments (note 26)	528	1.0	-	-
Adjusted EPRA earnings and earnings per share	2,622	4.9	6,356	12.0

There is no difference between basic and diluted earnings per share.

There is no difference between basic and diluted EPRA earnings per share.

Notes to the consolidated financial statements

(continued)

12. NON-CURRENT ASSETS

(A) Investment properties

	Freehold £000	Long leasehold £000	Development £000	Right-to-use asset £000	Total £000
Valuation at 30 June 2018	277,918	21,692	36,701	-	336,311
Additions at cost	16,968	-	-	-	16,968
Other capital expenditure	3,469	-	271	-	3,740
Disposals	(14,290)	-	(500)	-	(14,790)
Deficit on revaluation	(17,879)	(408)	(21)	-	(18,308)
Movement in tenant lease incentives	579	-	-	-	579
Valuation at 30 June 2019	266,765	21,284	36,451	-	324,500
Additions at cost	1,610	-	-	-	1,610
IFRS 16 adjustments	-	-	-	518	518
Other capital expenditure	5,630	-	348	-	5,978
Purchase of freehold	14,129	(13,594)	-	-	535
Disposals	(2,425)	-	-	-	(2,425)
Transfer to assets held for sale	(23,199)	-	-	-	(23,199)
Deficit on revaluation	(25,206)	(2,070)	952	-	(26,324)
Movement in tenant lease incentives	(279)	-	-	-	(279)
Valuation at 30 June 2020	237,025	5,620	37,751	518	280,914

(B) Freehold and leasehold properties – car park activities

	Freehold £000	Long leasehold £000	Right-to-use asset £000	Total £000
Valuation at 30 June 2018	3,000	20,423	-	23,423
Additions	-	255	-	255
Depreciation	-	(184)	-	(184)
Surplus on revaluation	500	-	-	500
Reversal of impairment/(impairment)	250	(50)	-	200
Valuation at 30 June 2019	3,750	20,444	-	24,194
Additions	-	25	-	25
IFRS 16 adjustment	-	(3,301)	30,322	27,021
Depreciation	-	(187)	(1,144)	(1,331)
Reversal of impairment	-	250	-	250
Valuation at 30 June 2020	3,750	17,231	29,178	50,159

The historical cost of freehold and leasehold properties relating to car park activities is £22,425,000 (2019: £22,425,000).

The Company occupies an office suite in part of the Merriem Centre and also at 6 Duke Street in London. The Directors do not consider this element to be material.

The fair value of the Group's investment and development properties has been determined principally by independent, appropriately qualified external valuers CBRE and Jones Lang LaSalle. The external valuation reports have explicitly mentioned material valuation uncertainty due to Novel Coronavirus (COVID-19) in their portfolio valuation reports to management for certain properties within the TCS portfolios. The remainder of the portfolio has been valued by the Property Director.

Valuations are performed bi-annually and are performed consistently across the Group's whole portfolio of properties. At each reporting date appropriately qualified employees verify all significant inputs and review computational outputs. The external valuers submit and present summary reports to the Property Director and the Board on the outcome of each valuation round.

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rents or business profitability, incentives offered to tenants, forecast growth rates, market yields and discount rates and selling costs including stamp duty.

The development properties principally comprise land in Leeds and Manchester. These have also been valued by appropriately qualified external valuers Jones Lang LaSalle, taking into account the income from car parking and an assessment of their realisable value in their existing state and condition based on market evidence of comparable transactions.

Property income, values and yields have been set out by category in the table below.

	Passing rent £000	ERV £000	Value £000	Initial yield %	Reversionary yield %
Retail and Leisure	2,973	3,455	41,990	6.7%	7.8%
Merriem Centre (excluding offices)	6,993	7,351	85,725	7.7%	8.1%
Offices	2,175	4,529	47,795	4.3%	9.0%
Hotels	1,180	1,630	23,080	4.8%	6.7%
Out of town retail	1,938	1,871	25,575	7.2%	6.9%
Distribution	411	427	6,010	6.5%	6.7%
Residential	616	639	10,570	5.5%	5.7%
	16,286	19,902	240,745	6.4%	7.8%
Development property			37,751		
Car parks			22,881		
Right to use assets			29,696		
			331,073		

The effect on the total valuation (including development property, car parks and right-to-use assets) of applying a different yield and a different ERV would be as follows:

Valuation in the consolidated financial statements at an initial yield of 7.4% – £298.5m, Valuation at 5.4% – £375.7m.

Valuation in the consolidated financial statements at a reversionary yield of 8.8% – £303.8m, Valuation at 6.8% – £366.4m.

Property valuations can be reconciled to the carrying value of the properties in the balance sheet as follows:

	Investment properties £000	Freehold and leasehold properties £000	Assets held for sale £000	Total £000
Externally valued by CBRE	160,265	-	21,540	181,805
Externally valued by Jones Lang LaSalle	119,980	17,250	-	137,230
Investment properties valued by the Property Director	151	-	-	151
Acquisitions recognised at cost	-	-	1,659	1,659
IFRS 16 right to use assets	518	29,178	-	29,696
Leasehold improvements	-	3,731	-	3,731
	280,914	50,159	23,199	354,272

Leasehold improvements primarily relate to expenditure incurred on the refurbishment of three leasehold car parks in Watford.

Notes to the consolidated financial statements

(continued)

12. NON-CURRENT ASSETS CONTINUED

All investment properties measured at fair value in the consolidated balance sheet are categorised as level 3 in the fair value hierarchy as defined in IFRS 13 as one or more inputs to the valuation are partly based on unobservable market data. In arriving at their valuation for each property (as in prior years) both the independent valuers and the Property Director have used the actual rent passing and have also formed an opinion as to the two significant unobservable inputs being the market rental for that property and the yield (i.e. the discount rate) which a potential purchaser would apply in arriving at the market value. Both these inputs are arrived at using market comparables for the type, location and condition of the property.

Assets held for sale

As at 30 June 2020, two properties with a total value of £23,199,000 were in the process of being sold and therefore have been classified within current assets as Assets held for sale. The valuation deficit recognised through the Income Statement in relation to these properties was £3,471,000.

(C) Fixtures, equipment and motor vehicles

	Cost £000	Accumulated Depreciation £000
At 1 July 2018	3,632	2,088
Additions	814	-
Disposals	(56)	(42)
Depreciation	-	735
At 30 June 2019	4,390	2,781
Net book value at 30 June 2019		1,609
At 1 July 2019	4,390	2,781
Additions	93	-
Depreciation	-	589
At 30 June 2020	4,483	3,370
Net book value at 30 June 2020		1,113

13. GOODWILL

	2020 £000	2019 £000
At the start and end of the year	4,024	4,024

Goodwill represents the difference between the fair value of the consideration paid on the acquisitions of car park businesses and the fair value of the assets and liabilities acquired as part of these business combinations. These transactions relate to businesses that held car parks under operating leases with a net asset value of £nil. Goodwill therefore represents the full consideration of these acquisitions.

A review of the year end carrying value has been performed to identify any potential impairment. This has been based on the discounted future cash flows that are expected to be generated by the assets acquired, after taking account of the continuing impact of COVID-19. The cash generating units are the individual car parks acquired. The key assumptions used in preparing these cash flow forecasts are an underlying revenue growth rate of 1% (2019: 1%) and a discount rate of 8% (2019: 8%). The assumptions used in the cash flow are based on historical experience of the sector.

As the discounted future cash flows are in excess of the year end carrying value, no impairment of the carrying value is required.

14. INVESTMENTS IN JOINT VENTURES

	2020 £000	2019 £000
At the start of the year	13,387	39,742
(Repayments of loans from)/Investments in joint ventures	(86)	723
Dividends and other distributions received in the year	-	(28,145)
Share of profits after tax	450	1,067
At the end of the year	13,751	13,387

Investments in joint ventures are broken down as follows:

	2020 £000	2019 £000
Equity	8,452	7,792
Loans	5,299	5,595
	13,751	13,387

Investments in joint ventures primarily relate to the Group's interest in the partnership capital of Merrion House LLP and Belgravia Living Group Limited.

Merrion House LLP owns a long leasehold interest over a property that is let to the Group's joint venture partner, Leeds City Council ('LCC'). The interest in the joint venture for each partner is an equal 50% share, regardless of the level of overall contributions from each partner. The investment property held within this partnership has been externally valued by CBRE at each reporting date.

The assets and liabilities of Merrion House LLP for the current and previous year are as stated below:

	2020 £000	2019 £000
Non-current assets	69,400	69,400
Current assets	689	1,178
Current liabilities	(2,269)	(2,702)
Non-current liabilities	(50,532)	(52,080)
Net assets	17,288	15,796

The profits of Merrion House LLP for the current and previous year are as stated below:

	2020 £000	2019 £000
Revenue	3,328	3,328
Expenses	(5)	(33)
Finance costs	(1,832)	(1,406)
	1,491	1,889
Valuation movement on investment properties	-	(17)
Net profit	1,491	1,872

Belgravia Living Group Limited completed construction of a block of residential apartments in Manchester towards the end of the previous financial year. These apartments have been let to residential tenants during the year. The Group's financial interest in this joint venture is primarily in the form of a loan with a value as at 30 June 2020 of £5.3m (2019: £5.5m).

Notes to the consolidated financial statements

(continued)

14. INVESTMENTS IN JOINT VENTURES CONTINUED

The net assets of Belgravia Living Group for the current and previous year are as stated below:

	2020 £000	2019 £000
Non-current assets	22,923	22,736
Current assets	3,014	540
Current liabilities	(11,365)	(23,355)
Non-current liabilities	(14,725)	-
Net liabilities	(153)	(79)

The income and expenses of Belgravia Living Group Limited for the current and previous year are as stated below:

	2020 £000	2019 £000
Revenue	1,215	-
Expenses	(538)	-
Finance costs	(751)	(14)
Net loss	(74)	(14)

The Group's interest in other joint ventures are not considered to be material.

The joint ventures have no significant contingent liabilities to which the Group is exposed nor has the Group any significant contingent liabilities in relation to its interest in the joint ventures.

A full list of the Group's joint ventures, which are all registered in England and operate in the United Kingdom, is set out as follows:

	Beneficial Interest %	Activity
Merrion House LLP	50	Property investment
Belgravia Living Group Limited	50	Property Investment
Bay Sentry Limited	50	Software Development

15. INVESTMENTS

Current asset investments

	2020 £000	2019 £000
At the start of the year	5,871	3,530
Increase in value of investments	(2,363)	2,341
At the end of the year	3,508	5,871

Current asset investments relate to an equity shareholding in a company listed on the London Stock Exchange. This is stated at market value in the table above and has a historic cost of £889,130 (2019: £889,130).

Current asset investments are measured at fair value in the consolidated balance sheet and are categorised as level 1 in the fair value hierarchy as defined in IFRS 13 as the inputs to the valuation are based on quoted market prices.

The maximum risk exposure at the reporting date is the fair value of the current asset investments.

Non-current asset investments

	2020 £000	2019 £000
Equity investments	1,121	975
Loans	1,535	1,535
	2,656	2,510

Non-current asset investments primarily relate to an equity shareholding and loans advanced to YourParkingSpace Limited, a privately owned company incorporated in the United Kingdom.

The asset is categorised as level 3 in the fair value hierarchy as defined in IFRS 13 as the inputs to the valuation are based on unobservable inputs.

16. TRADE AND OTHER RECEIVABLES

	2020 £000	2019 £000
Trade receivables	3,852	2,955
Less: provision for impairment of receivables	(1,766)	(411)
	2,086	2,544
Other receivables and prepayments	1,382	2,810
	3,468	5,354

The Directors consider that the carrying amount of net trade receivables approximates their fair value. The credit risk in respect of trade receivables is not concentrated as the Group has many tenants spread across a number of industry sectors. In addition, the tenants' rents are payable in advance. The provision for impairment of receivables has been calculated after taking into account the impact of COVID-19 on the economy and the financial position of tenants.

Due to the nature of income, debts are generally recovered in advance and full provision has been made for income recognised but not recovered during the year. As such, the credit risk relating to trade and other receivables is considered to be low and any expected credit loss would be immaterial.

As at 30 June 2020, trade receivables which had not been impaired can be analysed as follows:

			Outside credit terms		
	Total £000	Within credit terms £000	Less than one month £000	One to two months £000	Older than two months £000
2020	2,086	2,086	-	-	-
2019	2,544	2,124	211	10	199

Movements in the Group provision for impairment of trade receivables are as follows:

	2020 £000	2019 £000
At the start of the year	411	458
Provision for receivables impairment	1,478	229
Receivables written off as uncollectible	(123)	(218)
Unused amounts reversed	-	(58)
At the end of the year	1,766	411

The creation and release of the provision for impaired receivables have been included in administrative expenses in the Consolidated income statement.

Notes to the consolidated financial statements

(continued)

16. TRADE AND OTHER RECEIVABLES CONTINUED

The ageing of the provision is as follows:

	Total £000	Less than one month £000	One to two months £000	Older than two months £000
2020	1,766	–	229	1,537
2019	411	9	19	383

The only class within trade receivables is rent receivable. Other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables as mentioned above.

The Group does not hold any material collateral as security.

In assessing whether trade receivables are impaired, each debt is considered on an individual basis and provision is made based on specific knowledge of each tenant, together with the consideration of appropriate economic market indicators.

17. TRADE AND OTHER PAYABLES

	2020 £000	2019 £000
Bank overdraft	10,282	23,483
Trade payables	910	128
Social security and other taxes	1,143	529
Other payables and accruals	11,047	10,599
	23,382	34,739

The Group's banking facility has an agreement which allows the right of off-set between fellow Group companies. Interest payments and covenant tests are conducted on a net basis across the accounts within the banking facility. Whilst management monitors cash on a net basis, the fact that accounts were not actually swept and netted off at 30 June 2020 has meant that the cash and overdraft balances have been presented on a gross basis.

18. FINANCIAL LIABILITIES

All the Group's borrowings are either at floating or fixed rates of interest. The Group takes on exposure to fluctuations in interest rates on its financial position and its cash flows. Interest costs may increase or decrease as a result of such changes.

	2020 £000	2019 £000
Current		
Bank borrowings	60,326	–
Lease liabilities	1,658	–
	61,984	–
Non-current		
Bank borrowings	19,796	71,862
Lease liabilities	28,919	4,425
5.375% First mortgage debenture stock	105,876	105,865
	154,591	182,152
Total borrowings	216,575	182,152

The movement in financial liabilities during the year can be summarised as follows:

	2020 £000	2019 £000
At the start of the year	182,152	198,057
Cash items		
Borrowings drawn down	8,000	(16,000)
Arrangement fees paid	–	(233)
Total cash items	8,000	(16,233)
Non-cash items		
Amortisation of arrangement fees	271	347
Movement in finance leases	26,152	(19)
Total non-cash items	26,423	328
At the end of the year	216,575	182,152

The debenture, bank loans and overdrafts are secured by fixed charges on properties, valued at £314,375,000 (2019: £336,825,000) owned by the Company and its subsidiary undertakings.

The gross cash and overdraft balances on the individual accounts are summarised as follows:

	2020 £000	2019 £000
Cash balances	12,643	23,692
Overdrawn balances	(10,282)	(23,483)
Cash and cash equivalents	2,361	209

The Group's remaining contractual non-discounted cashflows for financial liabilities is set out below:

	2020				
	Trade and other creditors £000	Bank borrowings £000	Debenture stock £000	Lease liabilities £000	Total £000
In one year or less on demand	10,282	61,855	5,698	1,658	79,493
In more than one year but not more than five years	–	20,783	22,792	6,716	50,291
In more than five years	–	–	142,465	48,001	190,466
	10,282	82,638	170,955	56,375	320,250

	2019				
	Trade and other creditors £000	Bank borrowings £000	Debenture stock £000	Lease liabilities £000	Total £000
In one year or less on demand	23,483	1,750	5,698	209	31,140
In more than one year but not more than five years	–	76,690	22,790	818	100,298
In more than five years	–	–	148,163	17,475	165,638
	23,483	78,440	176,651	18,502	297,076

The debenture issue premium is net of issue costs and is amortised over the life of the debt agreement.

The numbers disclosed in the maturity profile above have been calculated to include notional interest payments, using the interest rates prevailing at the balance sheet date. The calculation is based on the assumption that the level of borrowings remains unchanged until maturity.

Notes to the consolidated financial statements

(continued)

18. FINANCIAL LIABILITIES CONTINUED

The Group had undrawn committed floating rate facilities as follows:

	2020 £000	2019 £000
Expiring in one year or less	7,500	-
Expiring in more than one year	15,000	30,500
	22,500	30,500

The availability of undrawn funds is subject to compliance with banking covenants. Performance against covenants is monitored continually and calculations are formally prepared at the end of each quarter. There have been no instances of non-compliance during the year.

19. FINANCIAL INSTRUMENTS

The Group finances its operations through a combination of retained cash flows, debentures, finance leases and bank borrowings. Procedures are in place to monitor interest rate risk as considered appropriate by management. Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the accounting policies relating to financial risk management. The carrying value of short-term receivables and payables approximate to their fair values. All financial liabilities are denominated in Sterling.

Interest rate risk

The interest rate risk of the Group's financial liabilities is as follows:

	As at 30 June 2020			As at 30 June 2019		
	Nominal value £000	Weighted average rate %	Weighted average period Years	Nominal value £000	Weighted average rate %	Weighted average period Years
Debenture stock	106,001	5.375	11	106,001	5.375	12
Bank floating rate liabilities	80,500	1.78	1	72,500	2.41	2
Lease liabilities	30,577	3.5	38	4,425	5.0	118
	217,078			182,926		

Floating rate financial liabilities bear interest at rates for term loans based on LIBOR plus an average margin of 1.65% and for the overdraft of 2.00% above base rate.

Facilities provided by banks and other investors are a mixture of fixed rates and floating charge funding. Floating rate borrowings are exposed to the risk of rising interest rates which the Group manages where necessary by the use of appropriate financial hedging instruments, primarily interest rate swaps.

An increase in LIBOR by one percentage point would have reduced profit for the year by approximately £745,000 (2019: £735,000).

Financial instruments held for trading purposes

It is, and has been throughout the year under review, the Group's policy not to trade in financial instruments.

Foreign currency exposure

The Group has no exposure to foreign currency as it has no overseas operations and all sales and purchases are made in Sterling.

Effective interest rates

The effective interest rates at the balance sheet date were as follows:

	2020	2019
Bank overdraft facility	2.1%	2.75%
Bank borrowings	1.78%	2.41%
Debenture loan	5.375%	5.375%
Lease liabilities	3.5%	5.0%

Fair value of current borrowings

The fair value of bank borrowings and overdrafts approximates to their carrying value.

Fair value of non-current borrowings

	2020		2019	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Debenture stock	105,876	123,578	105,865	116,518
Non-current bank borrowings	80,122	80,122	71,862	71,862

The above debenture stock has been valued as at 30 June 2020 by J C Rathbone Associates on the basis of open market value.

The fair valuation of debenture stock is categorised as level 1 in the fair value hierarchy as defined in IFRS 13 as inputs are quoted in active markets.

All financing liabilities are held at amortised cost.

Capital management

The Group manages its capital to ensure that entities in the Group will each be able to continue to operate as a going concern while maximising the return to stakeholders through the optimisation of debt and equity. The capital structure of the Group consists of financial liabilities per note 18 and equity per the Consolidated statement of changes in equity. The Group's capital structure is reviewed regularly by the Directors.

The Group is not subject to externally imposed capital requirements.

20. LEASE LIABILITIES

At 30 June 2020 the Group has a long leasehold interest in seven properties that are accounted for under IFRS 16.

Two of these properties were classified as finance leases at 30 June 2019.

Future lease payments are as follows:

	2020			2019		
	Minimum lease payments £000	Interest £000	Present value £000	Minimum lease payments £000	Interest £000	Present value £000
In one year or less on demand	1,658	1,012	646	209	209	-
In more than one year but not more than five years	6,716	3,808	2,908	818	818	-
In more than five years	48,001	20,978	27,023	17,475	13,050	4,425
	56,375	25,798	30,577	18,502	14,077	4,425

21. EPRA NET ASSET VALUE PER SHARE

The Basic and EPRA net asset values are the same, as set out in the table below.

	2020 £000	2019 £000
Net assets at 30 June	155,478	188,250
Shares in issue (000)	53,162	53,162
Basic and EPRA net asset value per share	292p	354p

Notes to the consolidated financial statements

(continued)

22. COMMITMENTS

The Group has no capital commitments (2019: £nil) in respect of capital expenditure contracted for at the balance sheet date but not yet incurred, for investment and development property.

Minimum total future lease payments receivable:

	2020 £000	2019 £000
Within one year	14,174	13,821
One to five years	42,409	40,713
In more than five years	85,516	83,364

The Group has a wide range of leases in place with tenants across a broad range of properties, sectors, tenures and rental values.

23. CALLED UP SHARE CAPITAL

Authorised

The authorised share capital of the Company is 164,879,000 (2019: 164,879,000) Ordinary Shares of 25p each. The nominal value of authorised share capital is £41,219,750 (2019: £41,219,750).

Issued and fully paid up

	Number of shares 000	Nominal value £000
At 30 June 2019 and 30 June 2020	53,162	13,290

The Company has only one type of Ordinary Share class in issue. All shares have equal entitlement to voting rights and dividend distributions.

24. CASH FLOWS FROM OPERATING ACTIVITIES

	2020 £000	2019 £000
Loss for the financial year	(24,162)	(12,469)
Adjustments for:		
Depreciation	1,920	919
Profit on disposal of fixed assets	-	(9)
(Profit)/loss on disposal of investment properties	(168)	709
Finance costs	9,009	8,025
Share of post tax profits from joint ventures	(450)	(1,067)
Movement in valuation of investment and development properties	26,324	18,308
Movement in lease incentives	279	(579)
Reversal of impairment of car parking assets	(250)	(200)
Decrease/(increase) in receivables	1,097	(2,074)
Increase/(decrease) in payables	834	(473)
Cash generated from operations	14,433	11,090

25. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Executive Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 72-79.

	2020 £000	2019 £000
Short-term employee benefits	1,830	1,865
Post-employment benefits	125	102
	1,955	1,967

26. ADOPTION OF IFRS 16

Effective 1 July 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

Transition method and practical expedients utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 July 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

The discount rate applied in the calculations is 3.5% which represents the incremental cost of borrowing.

The impact of the adoption of IFRS 16 on the primary statements is presented on pages 120-121.

Consolidated income statement

for the year ended 30 June 2020

	Pre IFRS 16 adjustments £000	Rental expense £000	Depreciation charge £000	Interest expense £000	Post IFRS 16 adjustments £000
Gross revenue	26,702	-	-	-	26,702
Property expenses	(11,149)	1,650	(1,144)	-	(10,643)
Net revenue	15,553	1,650	(1,144)	-	16,059
Administrative expenses	(6,197)	-	-	-	(6,197)
Other income	1,218	-	-	-	1,218
Other expenses	(777)	-	-	-	(777)
Valuation movement on investment properties	(26,324)	-	-	-	(26,324)
Reversal of impairment of car parking assets	250	-	-	-	250
Profit on disposal of investment properties	168	-	-	-	168
Share of post tax profits from joint ventures	450	-	-	-	450
Operating loss	(15,659)	1,650	(1,144)	-	(15,153)
Finance costs	(7,975)	-	-	(1,034)	(9,009)
Loss before taxation	(23,634)	1,650	(1,144)	(1,034)	(24,162)
Taxation	-	-	-	-	-
Loss for the year	(23,634)	1,650	(1,144)	(1,034)	(24,162)

Consolidated balance sheet

as at 30 June 2020

	Pre IFRS 16 adjustments £000	Right-to-use assets £000	Lease liabilities £000	Post IFRS 16 adjustments £000
Non-current assets				
Property rental				
Investment properties	280,396	518	-	280,914
Investments in joint ventures	13,751	-	-	13,751
	294,147	518	-	294,665
Car park activities				
Freehold and leasehold properties	24,282	25,877	-	50,159
Goodwill	4,024	-	-	4,024
Investments	2,656	-	-	2,656
	30,962	25,877	-	56,839
Fixtures, equipment and motor vehicles	1,113	-	-	1,113
Total non-current assets	326,222	26,395	-	352,617
Current assets				
Investments	3,508	-	-	3,508
Assets held for sale	23,199	-	-	23,199
Trade and other receivables	3,468	-	-	3,468
Cash and cash equivalents	12,643	-	-	12,643
Total current assets	42,818	-	-	42,818
Total assets	369,040	26,395	-	395,435
Current liabilities				
Trade and other payables	(23,735)	353	-	(23,382)
Financial liabilities	(60,326)	-	(1,658)	(61,984)
Total current liabilities	(84,061)	353	(1,658)	(85,366)
Non-current liabilities				
Financial liabilities	(128,973)	-	(25,618)	(154,591)
Total liabilities	(213,034)	353	(27,276)	(239,957)
Net assets	156,006	26,748	(27,276)	155,478

27. POST-BALANCE SHEET EVENTS

Since the year end the Group has extended its £33m facility with NatWest for a further year on the same terms and margin. This facility now expires in April 2022.

Four retail properties have been sold since the year end for a total sum of £35.2m.

Company balance sheet

as at 30 June 2020

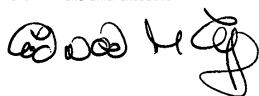
	Notes	2020 £000	2019 £000
Fixed assets			
Investment properties	4	102,406	102,026
Property, plant and equipment	4	743	872
Investments	5	256,648	256,798
		359,797	359,696
Current assets			
Investments	6	3,508	5,871
Debtors	7	93,580	96,626
Cash		25	22
		97,113	102,519
Creditors: amounts falling due within one year			
Financial liabilities - borrowings	9	(3,322)	(20,337)
Other creditors	8	(147,065)	(132,519)
		(150,387)	(152,856)
Net current liabilities		(53,274)	(50,337)
Total assets less current liabilities		306,523	309,359
Financial liabilities - borrowings	9	(185,998)	(177,727)
Net assets		120,525	131,632
Equity attributable to the owners of the Parent			
Called up share capital	10	13,290	13,290
Share premium account		200	200
Capital redemption reserve		559	559
Other reserves		80,057	80,057
Profit and loss account		26,419	37,526
Total shareholders' funds		120,525	131,632

Company number: 00623364

As permitted by Section 408 of the Companies Act 2006, the Parent Company's Profit and Loss Account has not been included in these financial statements. The loss shown in the financial statements of the Parent Company was £4,859,000 (2019: profit of £5,051,000).

The financial statements on pages 122-133 were approved by the Board of Directors on 22 September 2020 and signed on its behalf by

Dr. Edward Ziff OBE DL
Chairman and Chief Executive


Statement of changes in equity

for the year ended 30 June 2020

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
Balance at 30 June 2018	13,290	200	559	80,057	38,722	132,828
Comprehensive income for the year						
Profit	-	-	-	-	5,051	5,051
Total comprehensive income for the year					5,051	5,051
Contributions by and distributions to owners						
Final dividend relating to the year ended 30 June 2018	-	-	-	-	(4,519)	(4,519)
Interim dividend relating to the year ended 30 June 2019	-	-	-	-	(1,728)	(1,728)
Balance at 30 June 2019	13,290	200	559	80,057	37,526	131,632
Comprehensive income for the year						
Loss	-	-	-	-	(4,859)	(4,859)
Total comprehensive (loss)/income for the year					(4,859)	(4,859)
Contributions by and distributions to owners						
Final dividend relating to the year ended 30 June 2019	-	-	-	-	(4,519)	(4,519)
Interim dividend relating to the year ended 30 June 2020	-	-	-	-	(1,729)	(1,729)
Balance at 30 June 2020	13,290	200	559	80,057	26,419	120,525

Notes to the Company financial statements

1. ACCOUNTING POLICIES

Basis of Preparation

The Company financial statements have been prepared in accordance with FRS 102, (The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland), the going concern basis, the historical cost convention as modified by the revaluation of investment properties and certain investments and in accordance with the Companies Act 2006 and applicable law.

In making their assessment of the ability of the Company to continue as a going concern the Directors have considered the impact of COVID-19 on both the liquidity and compliance with bank loan covenants of the Group as a whole. This approach is considered appropriate on the basis that all external funding is held within the Company. As such, the below assessment represents the Group position.

The Group owns a portfolio of multi-let regional property assets located throughout the UK, and operates a car parking business. The business is funded in part by a £106m debenture which is due for repayment in 2031. In addition the business has three bilateral RCF facilities totalling £103m which are due for repayment or renewal between April 2022 and June 2023. In order to assess the potential impact of COVID-19 on the Group and its ability to continue as a going concern, management have analysed the portfolio's tenant base and car parking operation and produced forecasts to 30 December 2021. These forecasts reflect management's view of a worst case scenario including assumptions that rent receipts are materially lower than normally experienced and that the car park and hotel businesses recovers over the forecast period to a materially lower level than would normally be expected.

These forecasts show that the Group has sufficient resources to continue to operate as a going concern for at least the next 12 months. Based on the forecasts, including the mitigating options utilised such as the government approved furlough scheme and VAT and PAYE pay deferral available to the Group the Directors consider it appropriate to prepare these financial statements on the going concern basis.

However, the debt facilities include an interest cover covenant and a loan to value covenant. The Group is currently in compliance with all of its covenants. Were there to be a deterioration in rent collection or sentiment towards the value of these assets as a result of COVID-19 there is a possibility that these covenants could be breached. Whilst these forecasts provide robust support, in light of the uncertainty in respect of the adverse impacts of COVID-19, its duration, the ability of the Group to obtain loan covenant waivers if required and the current bank facility renewal, a material uncertainty exists which may cast significant doubt on the Group's ability, and therefore because of the above-mentioned reliance on the group, the Company's ability to continue as a going concern and therefore its ability to realise its assets and settle its liabilities within the ordinary course of business.

These financial statements do not include the adjustments that would be necessary should the going concern basis of preparation no longer be appropriate.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2). The principal accounting policies, which have been applied consistently, are as set out below:

Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Town Centre Securities Plc as at 30 June 2018 and these financial statements may be obtained from Companies House, Cardiff CF4 3UZ.

Deferred taxation

Town Centre Securities PLC elected for group REIT status with effect from 2 October 2007. As a result the Company no longer pays United Kingdom corporation tax on the profits and gains from qualifying rental business in the United Kingdom provided it meets certain conditions. Non-qualifying profits and gains of the Company continue to be subject to corporation tax as normal. On entering the REIT regime an entry charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was payable. Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business was released to the income statement as the relevant temporary differences are no longer taxable on reversal. From 17 July 2012 there is no REIT entry charge payable where the Company makes acquisitions of companies owning qualifying properties.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Investment properties

Investment properties are included in the accounts at open market values based on an independent external valuation, as at 30 June each year, or held at Directors' valuation. Movements in fair value are taken through the income statement.

Investments

Investments are held on the balance sheet at fair value. Any fair value gains and losses are taken to the income statement.

Investment income

Income from investments is accounted for on the payment date of the dividends.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost less impairment.

Trade receivables

Trade receivables are recognised initially at fair value and are subsequently measured at cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The amount of the provision is recognised in the Consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet. Where there is a formal legal arrangement with a right to offset the net position of the individual accounts will be presented in cash or current liabilities as appropriate.

Joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control.

Investments in jointly controlled entities are valued at cost less impairment.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of rent and services supplied to customers. Rental income is accounted for as it falls due in accordance with the lease to which it relates.

Unamortised tenant lease incentives

Leasehold incentives given to tenants on entering property leases are recognised as unamortised lease incentives. The operating lease incentives are spread over the non-cancellable life of the lease. Where this ends with a clean break clause the incentives are spread to this date unless management is reasonably certain that the break will not be exercised.

Notes to the Company financial statements

(continued)

1. ACCOUNTING POLICIES CONTINUED

Derivative financial instruments (derivatives) and hedge accounting

The Company occasionally uses interest rate swaps to help manage its interest rate risk. In accordance with its treasury policy, the Company does not hold or issue derivatives for trading purposes.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently remeasured at fair value. The fair value of interest rate swaps is based on broker quotes.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

Reserves

Reserves are analysed in the following categories:

- Share capital represents the nominal value of issued share capital.
- Share premium represents any consideration received in excess of nominal value of the shares issued.
- Capital redemption reserve represents the nominal value of the Company's own shares that have been repurchased and cancelled.
- Other reserves relates to the revaluation of the Company's investments
- Retained earnings represents the cumulative profit or loss position less dividend distributions.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value amounts of assets and liabilities within the next financial year are investment properties (note 4).

3. EMPLOYEE BENEFITS

	2020 £000	2019 £000
Wages and salaries (including Directors' emoluments)	2,697	3,086
Social security costs	325	369
Other pension costs	72	62
	3,094	3,517

Employee benefits are charged to the Profit and Loss account through administrative expenses.

All of the pension costs in the table above relate to defined contribution schemes.

The aggregate remuneration of the Directors of the Company was £1,955,000 (2019: £1,967,000).

The average monthly number of staff employed during the year was 51 (2019: 56). Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement, are included on page 75 in the Remuneration Report and form part of the consolidated financial statements. The remuneration paid to the Parent Company auditors in respect of the audit of the Parent Company financial statements for the year ended 30 June 2020 is included in note 5 to the consolidated financial statements.

4. TANGIBLE ASSETS

Investment properties

	Freehold £000	Long leasehold £000	Development £000	Total £000
Valuation at 30 June 2019	58,636	6,990	36,400	102,026
Additions	6,267	-	348	6,615
Valuation movement	(6,153)	(980)	952	(6,181)
Movement in tenant lease incentives	(54)	-	-	(54)
Valuation at 30 June 2020	58,696	6,010	37,700	102,406

The above freehold and long leasehold properties have been valued as at 30 June 2020 on the basis of open market value by Jones Long LaSalle and CBRE in accordance with the Royal Institution of Chartered Surveyors Appraisal and Investment Manual.

Fixtures, equipment and motor vehicles

	Cost £000	Accumulated depreciation £000
Balance at 30 June 2019	2,127	1,255
Additions	31	-
Depreciation	-	160
Balance at 30 June 2020	2,158	1,415
Net book value at 30 June 2020		743
Net book value at 30 June 2019		872
Total tangible assets		
At 30 June 2020		103,149
At 30 June 2019		102,898

5. FIXED ASSET INVESTMENTS

	2020 £000	2019 £000
Shares in Group undertakings		
At 1 July	248,693	248,693
Additions	-	-
At 30 June	248,693	248,693
Other investments		
At 1 July	2,510	2,125
Additions	146	385
At 30 June	2,656	2,510
Interest in joint ventures		
At 1 July	5,595	5,091
Loans advanced	-	372
Share of (loss)/profit after tax	(296)	132
At 30 June	5,299	5,595
Total fixed asset investments	256,648	256,798

As permitted by Section 615 of the Companies Act 2006, where the relief afforded under Section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of shares issued plus the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

Notes to the Company financial statements

(continued)

6. LISTED INVESTMENTS

	2020 £000	2019 £000
At 1 July	5,871	3,530
Increase in value of investments	(2,363)	2,341
At 30 June	3,508	5,871

Listed investments, all of which are listed on a recognised stock exchange, are stated at market value in the table above and have a historic cost of £889,130 (2019: £889,130).

7. DEBTORS

	2020 £000	2019 £000
Trade debtors	1,096	383
Less: provision for impairment of debtors	(591)	(72)
	505	311
Amounts owed by subsidiary undertakings	92,961	95,176
Other debtors and prepayments	114	1,139
	93,580	96,626

The Directors consider that the carrying amount of net trade receivables approximates their fair value. The credit risk in respect of trade receivables is not concentrated as the Company has many tenants spread across a number of industry sectors. In addition, the tenants' rents are payable in advance. The provision for impairment of receivables has been calculated after taking into account the impact of COVID-19 on the economy and the financial position of tenants.

Due to the nature of income, debts are generally recovered in advance and full provision has been made for income recognised but not recovered during the year. As such, the credit risk relating to trade and other receivables is considered to be low and any expected credit loss would be immaterial.

The expense recognised in relation to the impairment of debtors for the year ended 30 June 2020 was £519,000 (2019: £1,000).

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

8. OTHER CREDITORS

	2020 £000	2019 £000
Trade payables	739	36
Taxation and social security	313	-
Amounts owed to subsidiary undertakings	142,143	128,807
Other payables and accruals	3,870	3,676
	147,065	132,519

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

9. FINANCIAL INSTRUMENTS

The Company's borrowings are at both floating and fixed rates of interest. The Company takes on exposure to fluctuations in interest rates on its financial position and cash flows. Interest costs may increase or decrease as a result of such changes.

	2020 £000	2019 £000
Non-current		
Bank borrowings	19,796	71,862
5.375% First mortgage debenture stock	105,876	105,865
	125,672	177,727
Current		
Bank borrowings	63,648	20,337
Total borrowings	189,320	198,064

The debenture, bank loans and overdrafts are secured by fixed charges on properties, valued at £314,375,000 (2019: £336,825,000) owned by the Company and its subsidiary undertakings.

The debenture issue premium is net of issue costs and is amortised over the life of the debt agreement.

The Company had undrawn committed floating rate bank facilities as set out below:

	2020 £000	2019 £000
Expiring in one year or less	7,500	-
Expiring in more than one year	15,000	30,500
	22,500	30,500

The availability of undrawn funds is subject to compliance with banking covenants.

Included within facilities expiring in one year or less are overdraft facilities subject to annual review. There are net cash balances of £5,432,000 held by other Group companies which offset the Company's overdraft on consolidation. The total overdraft facility is based on the Group's right of set off. Other facilities are available to provide funding for future investments.

The Company finances its operations through a combination of retained cash flows, debentures and bank borrowings. Procedures are in place to monitor interest rate risk as considered appropriate by management. Numerical financial instruments disclosures are set out overleaf.

All financial liabilities are denominated in Sterling.

Notes to the Company financial statements

(continued)

9. FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk

The interest rate risk of the Company's financial liabilities is as follows:

	As at 30 June 2020			As at 30 June 2019		
	Nominal value £000	Weighted average rate %	Weighted average period Years	Nominal value £000	Weighted average rate %	Weighted average period Years
Debenture stock	106,001	5.375	11	106,001	5.375	12
Bank floating rate liabilities	83,822	1.78	1	92,837	2.41	3
	189,823			198,838		

Floating rate financial liabilities bear interest at rates for term loans based on LIBOR plus an average margin of 1.65% and for the overdraft of 2.00% above base rate.

Financial instruments held for trading purposes

It is, and has been throughout the year under review, the Company's policy not to trade in financial instruments.

Foreign currency exposure

The Group has no exposure to foreign currency as it has no overseas operations and all sales and purchases are made in Sterling.

Effective interest rates

The effective interest rates at the balance sheet date were as follows:

	2020	2019
Bank overdraft facility	2.1%	2.75%
Bank borrowings	1.78%	2.41%
Debenture loan	5.375%	5.375%

Fair values of current borrowings

Where market values are not available, fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of short-term borrowings approximate to book value.

Fair value of non-current borrowings

	2020		2019	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Debenture stock	105,876	123,578	105,865	116,518
Long-term bank borrowings	80,122	80,122	71,862	71,862

10. CALLED UP SHARE CAPITAL

Authorised

164,879,000 (2019: 164,879,000) Ordinary Shares of 25p each.

Issued and fully paid up

	Number of shares 000	Nominal value £000
At 30 June 2019 and 30 June 2020	53,162	13,290

The Company has only one type of Ordinary Share class in issue. All shares have equal entitlement to voting rights and dividend distributions.

11. SUBSIDIARY COMPANIES

The Company's wholly owned active subsidiary undertakings at 30 June 2020, registered in England or Scotland and operating in the United Kingdom, are as follows:

	Company number	Activity
Held directly		
TCS Holdings Limited	2271353	Property investment
Dundonald Property Investments Limited	3672365	Property investment
Buckley Properties (Leeds) Limited	647309	Property investment
Citipark plc	8837214	Car park operations
TCS Development Management (Merrion) Limited	8696141	Property investment
TCS (Residential Conversions) Limited	3946495	Property investment
TCS (Property Management) Limited*	5281225	Management company
TCS Trustees Limited*	3112923	Trustee for employee benefit plans
TCS Properties Limited*	2831154	Property investment
TCS (Whitehall Plaza) Limited	9922032	Property investment
TCS (9 Cheapside) Limited	10139127	Property investment
TCS (Tariff Street) Limited	09929851	Property investment
TCS (Brownsfield Mill) Limited	10291290	Property investment
TCS (Merrion Hotel) Limited	10380988	Hotel operator
Bay Sentry Solutions Limited	12133595	Car park operations
Apperley Bridge Limited	6879596	Dormant
TCS Park Row Limited	8077103	Dormant
Citipark UK Limited	8837203	Dormant
TCS (Merrion House JVC02) Limited	8561356	Dormant
Tassender Limited	4077297	Dormant
Blackpool Markets Limited	2740190	Dormant
Emett Exhibitions Limited	1544918	Dormant
Millingavie East Limited	SC464805	Dormant
No 29 Management Co (Eastgate) Limited	3873683	Dormant
T Herbert Kaye's Estates Limited	0226678	Dormant
TCS (Bolton) Limited	4104688	Dormant
TCS Piccadilly Limited	4317396	Dormant
TCS Whitehall Riverside Limited	4329860	Dormant
TCS (Rochdale JV) Limited	7712764	Dormant
TCS (Rochdale Management) Limited	7712123	Dormant
TCS Car Parks Limited	4847697	Dormant
TCS Eastgate Limited	6554827	Dormant
TCS Finance Limited	3108777	Dormant
TCS Trading Limited	3060862	Dormant
The Merrion Centre Limited	0814845	Dormant
Town Centre Enterprises Limited	0221003	Dormant
Town Centre Securities (Developments) Limited	3946549	Dormant
Town Centre Securities (Manchester) Limited	0129485	Dormant

Notes to the Company financial statements

(continued)

11. SUBSIDIARY COMPANIES CONTINUED

	Company number	Activity
Town Centre Securities (Scotland) Limited	0748937	Dormant
Town Centre Services Limited	2285764	Dormant
TCS plc	4329979	Dormant
TCS (EX TCCP) plc	3385312	Dormant
Held indirectly		
TCS Freehold Investments Limited	3684812	Property investment
TCS Leasehold Investments Limited	3684827	Property investment
Town Centre Car Parks Limited	5494592	Car park operations
TCCP (Clarence Dock) Limited	6219875	Car park operations
TCS (Milingavia) Limited	6391627	Property investment
TCS (Merrion House JVC01) Limited	8561354	Property investment
Dundonald (Cumbernauld) Limited	5983938	Dormant
TCS (Bothwell Street) Limited	4240551	Dormant
Dundonald Property Developments Limited	6430444	Dormant
Riverside (Leeds) Limited	4569350	Dormant
TCS (Greenhihe) Limited	4413344	Dormant
TCS (Sleworth) Limited	4413343	Dormant
TCS (Parliament Street 1) Limited	4768830	Dormant
TCS (Parliament Street 2) Limited	4768845	Dormant
TCS Energy Limited	4414144	Dormant
TCS (Mill Hill) Limited	4413341	Dormant
TCS (Residential) Limited	4249007	Dormant
TCS Solar Limited	5113915	Dormant

* The subsidiaries marked with an asterisk above are exempt from preparing audited statutory accounts under section 479a of the Companies Act 2006.

The registered office of all subsidiaries is at the following address:

Town Centre House
The Merrion Centre
Leeds
LS2 8LY

The Company's directly owned joint ventures, which are all registered in England and operate in the United Kingdom, are as follows:

	Proportion of ordinary shares held %	Activity
Belgravia Living Group Limited	50	Property Investment
Bay Sentry Limited	50	Software Development

The registered offices of joint ventures are as follows:

Belgravia Living Group Limited	Bay Sentry Limited
Middleton House	Town Centre House
Westland Road	The Merrion Centre
Leeds	Leeds
LS11 5UH	LS2 8LY

The Company also has an indirect 50% interest in Merrion House LLP, which has the same registered office as the Company.

Notice of Annual General Meeting

Notice is hereby given that the 2020 Annual General Meeting (the "Meeting") of Town Centre Securities Plc (the "Company") will be held virtually and streamed to all shareholders from Town Centre House, The Merion Centre on Tuesday, 17 November 2020 at 10:00am. To consider and if thought fit pass the Resolutions below. Resolutions 1 to 15 will be proposed as ordinary resolutions. For an ordinary resolution to be passed, a simple majority of the votes cast must vote in favour of the resolution. Resolutions 16 to 19 will be proposed as special resolutions. For a special resolution to be passed, at least 75% of the votes cast must vote in favour of the resolution.

Due to ongoing uncertainties caused by the COVID-19 outbreak, we have put in place measures to allow shareholders to view the AGM proceedings remotely. Shareholders will not be able to attend the AGM in person this year. Instead, shareholders are strongly encouraged to join the AGM electronically and join the audio webcast. Information on how to join the Meeting electronically can be found under the explanatory notes.

We encourage all shareholders to vote via proxy in advance of the AGM as you will not be able to vote on the day of the Meeting. Your vote is important, and you are encouraged to use it. Shareholders should vote by way of proxy in advance of the Meeting. To ensure your vote is counted, you should appoint the 'Chair of the Meeting' as your proxy. Whilst shareholders will be able to ask questions of the Board via the webcast if you cannot attend or would like to submit questions in advance of the Meeting please send these to AGM@tcs-plc.co.uk by Friday 13th November 2020.

Shareholders should refer to our website tcs-plc.co.uk/ investors/AGM for any notifications relating to measures required for the AGM arrangements in light of the recent COVID-19 outbreak.

This notice includes the resolutions ('Resolutions') to be discussed at the AGM. You are requested to vote electronically using the link www.signalshares.com, or request and submit a Form of Proxy as soon as possible whether you intend to attend the AGM electronically or not. In any event, the Proxy instruction should reach the Company's Registrar by 10.00am on Friday, 13th November 2020.

Completion of a Form of Proxy will not preclude you from attending the AGM electronically by following the joining instructions set out later in this Notice, however you must vote in advance of the Meeting for your vote to be counted.

Ordinary resolutions

Resolution 1: Annual Financial Statements and Directors' Report

1. To receive the Company's annual financial statements (together with the Directors' Report and the Auditors' Report) for the financial year ended 30 June 2020.

Resolution 2: Directors' Remuneration Report

2. To approve the Directors' Remuneration Report set out on pages 72-79 of the Company's 2020 Annual Report for the year ended 30 June 2020 (excluding the Directors' Remuneration Policy included in the report).

Resolution 3: Directors' Remuneration Policy

3. To approve the Directors' Remuneration Policy, which can be found on pages 73-74.

Resolution 4: Final Dividend

4. To declare a final cash dividend recommended by the Board for the year ended 30 June 2020 of 1.75 pence per Ordinary Share, to be paid on 5 January 2021, to shareholders whose names appear on the register at close of business on 4 December 2020.

Resolutions 5 to 11: Re-election of Directors

5. To re-elect Michael Ziff as a Non-Executive Director of the Company.
6. To re-elect Ian Marcus as a Non-Executive Director of the Company.
7. To re-elect Paul Huberman as a Non-Executive Director of the Company.
8. To re-elect Jeremy Collins as a Non-Executive Director of the Company.
9. To re-elect Edward Ziff as an Executive Director of the Company.
10. To re-elect Benjamin Ziff as an Executive Director of the Company.
11. To re-elect Mark Dille as an Executive Director of the Company.

Resolution 12: Reappointment of Auditors

12. To reappoint BDO LLP as the auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the next general meeting at which annual financial statements are laid before the Company's shareholders.

Resolution 13: Remuneration of Auditors

13. To authorise the Directors to determine the remuneration of the Company's auditors.

Resolution 14: Authority to Make Political Donations

14. To authorise, in accordance with Part 14 of the UK Companies Act 2006 (the 'Act'), the Company and all companies that are subsidiaries of the Company at the date on which this resolution is passed, or at any time when this resolution has effect to:

- (a) make political donations to political parties and/or independent election candidates;
- (b) make political donations to political organisations other than political parties; and
- (c) incur political expenditure,

(as such terms are defined in the Act), up to an aggregate amount of £50,000, and the amount authorised under each of paragraphs (a) to (c) above shall also be limited to such amount, during the period beginning on the date of the passing of this resolution and ending at the conclusion of the next Annual General Meeting of the Company to be held in 2021. Upon the passing of this resolution, all existing authorisations and approvals relating to political donations or expenditure under Part 14 of the Act shall be revoked without prejudice to any donation made, or expenditure incurred, prior to the passing of this resolution pursuant to such authorisation or approval. For the purpose of this resolution, the terms 'political donation', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' shall have the meanings given by sections 363 to 365 of the Act.

Resolution 15: Authority to Allot Ordinary Shares

15. To generally and unconditionally authorise the Board, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, pursuant to and in accordance with section 551 of the Act to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company:

- (a) up to an aggregate nominal amount of £4,430,162.50 (representing 17,720,650 Ordinary Shares) (such amount to be reduced by any allotments or grants made under paragraph (b) below in excess of such sum); and
- (b) comprising equity securities (as defined in the Act) up to a nominal amount of £8,860,325 (representing 35,441,300 Ordinary Shares) (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with an offer by way of a rights issue:

- (i) to Ordinary Shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary, expedient or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company, to be held in 2021, or 17 February 2022, whichever is earlier, save that the Company may, before such expiry, make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry; and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special resolutions

Resolution 16: Authority to Disapply Pre-emption Rights

16. That, if resolution 15 above is passed, the Board be given power to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be limited:

- (a) to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of resolution 15, by way of a rights issue only):
- (i) to Ordinary Shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

Notice of Annual General Meeting

continued

- (b) in the case of the authority granted under paragraph (a) of resolution 16 and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £664,524.25,
- such power to apply until the end of the next Annual General Meeting to be held in 2021, or 17 February 2022, whichever is earlier, but, in each case, during this period the Company may make offers and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

Resolution 17: Additional Authority to Disapply Pre-emption Rights for Purposes of Acquisitions or Capital Investments

17. That, if resolution 15 above is passed, the Board be given the power, in addition to any power granted under resolution 16 above, to allot equity securities (as defined in the Act) for cash under the authority granted under paragraph (a) of resolution 15 and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be:
- (a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £664,524.25; and
- (b) used only for the purposes of financing a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-Emption Group prior to the date of this notice, or for the purposes of refinancing such a transaction within six months of it taking place,

such power to apply until the end of the next Annual General Meeting to be held in 2021, or 17 February 2022, whichever is earlier, but, in each case, during this period the Company may make offers and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

Resolution 18: Authority to purchase Company's own shares

18. That the Company be generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares of £0.25 each in the capital of the Company, provided that:
- (a) the maximum number of Ordinary Shares which may be purchased is 7,974,292;
- (b) the minimum price, exclusive of any expenses, which may be paid for each Ordinary Share is £0.25;
- (c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary Share is an amount equal to the higher of:
- (i) 105% of the average mid-market value of an Ordinary Share, as derived from the London Stock Exchange Daily Official List for the five business days prior to the day on which the purchase is made; and
- (ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share.
- (d) this authority shall expire on the date of the next Annual General Meeting of the Company or on 17 February 2022, whichever is the earlier, but, in each case, provided that the Company may, before such expiry, enter into a contract or contracts to purchase shares which will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of shares under such contract or contracts as if the authority had not expired.

Resolution 19: Notice of General Meetings, other than Annual General Meetings

19. That a general meeting (other than an Annual General Meeting) of the Company may be called on not less than 14 clear days' notice.

By order of the Board.

Link Company Matters Limited
Company Secretary
22 September 2020

Registered Office:
Town Centre House,
The Merion Centre,
Leeds LS2 8LY

Registered in England and Wales No. 00623364

Explanatory notes

Ordinary resolutions

Resolution 1: To receive the Annual Financial Statements and Directors' Report

Under the Company's Act 2006, the Directors are required to present the Strategic Report, Directors' Report, Auditor's Report and annual financial statements of the Company to the Meeting. These are contained in the Company's 2020 Annual Report and Financial Statements for the year ended 30 June 2020 (the 'Annual Report'), which was circulated at the time of this Notice and is also available on the Company's website at tcs-plc.co.uk.

Resolution 2: Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 30 June 2020.

Under the Companies Act 2006 (the 'Act'), the Directors must prepare an Annual Report detailing the remuneration of the Directors and a statement by the chairman of the Remuneration Committee (together, the 'Directors' Remuneration Report'). The Act also requires that a resolution be put to shareholders each year for their approval of that report. The Directors' Remuneration Report can be found on pages 72-79 of the Annual Report. Resolution 2 is an advisory vote only and the Directors' entitlement to remuneration is not conditional on it.

Resolution 3: Directors' Remuneration Policy

The Act also requires that a resolution be put to shareholders, at intervals of not more than three years, to approve the Directors' Remuneration Policy, which can be found on pages 73-74 of the Annual Report. This is a binding policy and, after it takes effect, the Directors will not be entitled to remuneration unless that payment is consistent with the approved policy or has been approved by a resolution of the shareholders of the Company. Due to the current economic climate and financial uncertainty, the Company feels that it would be unwise to amend the remuneration policy this year and therefore proposes an unchanged policy. However, once the Company is able to make more reliable financial predictions, it will propose a revised policy at the 2021 Annual General Meeting. If Resolution 3 is approved, the policy will take effect from the date of the AGM.

Resolution 4: Final Dividend

The Board proposes a final dividend of 1.75 pence per share in respect of the year ended 30 June 2020. If approved, the recommended final dividend will be paid on 5 January 2021 to all Ordinary Shareholders who are on the register of members on 4 December 2020.

Resolutions 5 to 11: Re-election of Directors

The Board has agreed a policy whereby all Directors will seek annual re-election at the AGM, in accordance with the FRG Code of Corporate Governance.

The Board believes that each Director seeking re-election continues to have the requisite skills and experience, and demonstrates the necessary commitment, to contribute effectively to the Board. In addition, the Board confirms that each Non-Executive Director is able to commit sufficient time to meet their Board responsibilities. The biographical details of the Directors seeking re-election at the Meeting are set out on pages 58-59 of the Annual Report.

None of the Non-Executive Directors seeking re-election at the Meeting has any existing or previous relationship, transaction or arrangement with the Company, nor with any controlling shareholder of the Company or any associate of a controlling shareholder of the Company, within the meaning of Listing Rule 13.8.17R(1). In considering the independence of the Non-Executive Directors, the Board has taken into account guidance from the UK Corporate Governance Code.

Resolutions 6, 7 and 8 relate to the re-election of Ian Marcus, Paul Huberman and Jeremy Collins who are Non-Executive Directors for the purposes of the UK Corporate Governance Code. These resolutions are proposed as ordinary resolutions and can be voted on by all shareholders of the Company. However, in addition to this, the votes cast by independent shareholders will be counted separately in accordance with the UKLA Listing Rules.

Resolution 12: Reappointment of Auditor

At each general meeting at which the Company's annual financial statements are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit Committee, recommends the reappointment of BDO LLP as auditors of the Company.

Resolution 13: Remuneration of Auditor

The remuneration of the Company's auditor must be fixed by the Company in a general meeting or in such manner as the Company may determine in a general meeting. This resolution gives authority to the Directors to approve the terms of engagement and determine the remuneration of the Company's auditors.

Notice of Annual General Meeting

continued

Resolution 14: Authority to make political donations

Under the Act, political donations to any political parties, independent election candidates or political organisations other than political parties, or the incurring of political expenditure, are prohibited unless authorised by shareholders in advance.

As the legislation is capable of wide interpretation, the terms 'political donation', a 'political party', a 'political organisation' or 'political expenditure' are not easy to define. For example, sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, may fall within the scope of these matters.

Therefore, notwithstanding that the Company has not made a political donation in the past, and has no intention, either now or in the future, of making any political donation or incurring any political expenditure, the Board has decided to propose Resolution 15 to avoid running the risk of the Company or its subsidiaries inadvertently breaching the Act through the undertaking of routine activities.

As permitted under the Act, this resolution also covers any political donations made or political expenditure incurred by any subsidiaries of the Company. This resolution caps the amount of all forms of political donations and expenditure that the company and its subsidiaries would be permitted to make at an aggregate of £50,000.

Resolution 15: Authority to Allot Ordinary Shares

The purpose of this resolution is to give the Directors authority to allot shares in place of the existing authority approved at the Annual General Meeting of the Company held on 25 November 2019, which expires at the end of the 2020 Annual General Meeting.

The authority in paragraph (a) of the resolution will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to a nominal value of £4,430,162.50 (representing 17,720,650 Ordinary Shares), which is equivalent to approximately one third of the total issued Ordinary Share capital of the Company as at 22 September 2020, which is the latest practicable date prior to publication of this Notice.

In accordance with institutional guidelines issued by the Investment Association, paragraph (b) of Resolution 15 will allow Directors to allot, including the Ordinary Shares referred to in paragraph (a) of Resolution 15, further of the Company's Ordinary Shares in connection with a pre-emptive offer by way of a rights issue to Ordinary Shareholders up to a maximum nominal amount of £8,860,325, representing approximately two thirds (66.67%) of the Company's existing issued Ordinary Share capital and calculated as at 22 September 2020 (being the latest practicable date prior to publication of this document).

The Company does not currently hold any shares in treasury.

The Board believes it is in the best interests of the Company to have these authorities so that the Board can allot securities at short notice and without the need to hold a general meeting if the need arises.

The authorities sought in paragraphs (a) and (b) of resolution 15 are without prejudice to previous allotments made under such existing authorities.

The authorities will only be valid until the conclusion of the next Annual General Meeting of the Company to be held in 2021 or 17 February 2022, whichever is earlier.

Special resolutions

Resolution 16: Authority to Dis-apply Pre-emption Rights

At the Annual General Meeting held on 25 November 2019, the Directors were given the authority to issue equity securities of the Company and sell treasury shares in exchange for cash until the 2020 Annual General Meeting. Resolution 16 renews this authority allowing Directors to issue equity securities and to sell treasury shares for cash on a non-pre-emptive basis: (i) to Ordinary Shareholders in proportion to their existing shareholdings and to holders of other equity securities as required by the rights of those securities, or as the Directors consider necessary, and to deal with, among other things, treasury shares, fractional entitlements and legal and practical problems in any territory, for example, in the case of a rights issue or other similar share issue; and (ii) otherwise, up to an aggregate nominal amount of £664,524.25 (representing 2,658,097 Ordinary Shares). This number represents approximately 5% of the issued share capital as at 22 September 2020, the latest practicable date prior to publication of this Notice.

The Directors believe that this resolution will assist them in taking advantage of business opportunities as they arise.

The Company does not currently hold any shares in treasury.

These authorities are without prejudice to allotments made under previous authorities and will only be valid until the conclusion of the next Annual General Meeting to be held in 2021 or 17 February 2022, whichever is earlier.

Resolution 17: Additional Authority to Disapply Pre-emption Rights for Purposes of Acquisitions or Capital Investments

On 5 May 2016, the Pre-Emption Group published a monitoring report on the implementation of its 2015 Statement of Principles for Disapplying Pre-emption Rights and a recommended template resolution for disapplying pre-emption rights. The template recommends companies request authority to disapply pre-emption rights in respect of the additional 5% to be used when the Board considers the use to be for an acquisition or specified capital investment in accordance with the 2015 Statement of Principles as a separate resolution to the disapplication to issue shares on an unrestricted basis.

Resolution 17 seeks this separate authority. Where the authority granted under resolution 17 is used, the Company will disclose this in the announcement regarding the issue, the circumstances that have led to its use and the consultation process undertaken.

In accordance with the section of the Statement of Principles regarding cumulative usage of authorities within a rolling three-year period, the Directors also confirm their intention that (except in relation to an issue pursuant to Resolution 17 in respect of the additional 5% referred to above) no more than 7.5% of the issued Ordinary Share capital will be issued for cash on a non-pre-emptive basis during any rolling three-year period, without prior consultation with shareholders.

The Directors believe that this resolution will assist them in taking advantage of business opportunities as they arise.

These authorities are without prejudice to allotments made under previous authorities and will only be valid until the conclusion of the next Annual General Meeting to be held in 2021, or 17 February 2022, whichever is earlier.

Resolution 18: Authority to Purchase Company's Own shares

Resolution 18 is a special resolution that will grant the Company authority to make market purchases of up to 7,974,292 Ordinary Shares, representing 15% of the Ordinary Shares in issue as at the date of the Notice.

The Directors have no present intention to exercise the authority granted by this resolution, but the authority provides the flexibility to allow them to do so in future. The Directors would not exercise the authority unless they believed that the expected effect would promote the success of the Company for the benefit of its shareholders as a whole. Any shares bought back will either be cancelled or placed into treasury at the determination of the Directors.

The maximum price which may be paid for each Ordinary Share must not be more than the higher of (i) 105% above the average of the mid-market values of the Ordinary Shares for the five business days before the purchase is made or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. The minimum price which may be paid for each ordinary share is £0.25.

This authority shall expire at the Annual General Meeting to be held in 2021 or on 17 February 2022, whichever is the earlier, when a resolution to renew the authority will be proposed.

Resolution 19: Notice of general meetings other than Annual General Meetings

Under the Act, the notice period required for all general meetings of the Company is 21 clear days. Annual General Meetings will always be held on at least 21 clear days' notice but shareholders can approve a shorter notice period for other general meetings. At last year's Annual General

Meeting shareholders authorised the calling of general meetings (other than an Annual General Meeting) on not less than 14 clear days' notice, and it is proposed that this authority be renewed.

Resolutions and Important Notes

The formal notice convening the Meeting ('the Notice') is set out on pages 134-142 of this document and includes explanatory notes to each of the resolutions to be proposed at the Meeting. There will be an opportunity for you to raise questions at the Meeting about the resolutions set out in the Notice and about the business of the Company.

Electronic Attendance and Voting

You may attend the AGM online using your smartphone, tablet or computer. You will be able to view and listen to a live webcast of the Meeting and ask the Directors questions, however as explained above you will not be able to vote at the event.

To join the Meeting electronically, you will need to visit: tcs-plc.co.uk/investors/AGM

To log in to the Meeting, you must register in advance with your unique login ID (which is your full 11 digit IVC number including any zeros) and your PIN code (which is the last 4 digits of your IVC). You will be able to access the link 15 minutes before the start of the Meeting.

If you are not in receipt of your IVC this can be found on a share certificate or dividend tax voucher or alternatively you can sign in to www.signalshares.com to obtain your IVC code. If however you cannot find your IVC and don't have access to www.signalshares.com then please contact the Company's registrar, Link Market Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU on telephone number 0371 277 1020 before 16th November 2020 to obtain your IVC in order to log into the Meeting. Lines are open 9.00 a.m. to 5.30 p.m. GMT excluding non-workings days.

Any shareholder attending the Meeting is eligible to ask questions. If you wish to ask questions at the Meeting, please do so by entering your question in the Q&A box in the webcast player during the event. Shareholders can also submit questions to the Board in advance of the AGM by writing to the Group Company Secretary at Town Centre House or by e-mailing the Company at AGM@tcs-plc.co.uk.

For general enquiries on how to join the AGM electronically please contact Link registrars on telephone number 0371 277 1020 or write to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Further Information

Further information relating to the Company can be found on the Company's website tcs-plc.co.uk.

Notice of Annual General Meeting

continued

Recommendation

The Board considers that Resolutions 1 to 19 are in the best interests of the Company and its shareholders as a whole and recommends that you vote in favour of such resolutions, as the Directors intend to do in respect of their own beneficial holdings.

Important notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this Annual General Meeting or to appoint someone else to vote on your behalf.

- The right to vote at the Meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at close of business on Friday, 13th November 2020 (or, in the event that the Meeting is adjourned, in the register of members at close of business on the date which is two days before the date of any adjourned meeting) shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the Meeting.
- In order to gain admittance to the Meeting, members will be required to sign up, in advance, using their IVC number at the following link: tcs-plc.co.uk/investors/AGM.
- A shareholder is entitled to appoint one or more persons as proxies to exercise all or any of his or her rights to attend, speak and vote at the Meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him/her. To appoint more than one proxy, you will need to complete a separate Form of Proxy in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar at Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU or you may photocopy the proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the number of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

The appointment of a proxy will not preclude a member from attending and voting in person at the Meeting if he or she so wishes.

- You can vote either:
 - by logging on to www.signalshares.com where full instructions can be found;
 - by requesting a hard copy form of proxy directly from the registrar, Link Asset Services, on Tel: 0371 654 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 and 17:30, Monday to Friday excluding public holidays in England and Wales; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
- For an electronic proxy appointment to be valid, the appointment must be received by the Company's registrar by no later than 10.00am on Friday 13th November 2020 (or in the event that the Meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
- For a hard copy form of proxy to be valid, it must be completed, signed and sent to the offices of the Company's registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive no later than 10.00am on Friday 13th November 2020 (or, in the event that the Meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
- Any electronic communication sent by a member to the Company or the Company's registrar which is found to contain a virus will not be accepted by the Company but every effort will be made by the Company to inform said member of the rejected communication.
- If you return more than one proxy appointment, either by paper or electronic communication, the *appointment received last by the registrar before the latest time for the receipt of proxies* will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
 - The return of a completed proxy form, electronic filing or any CREST Proxy Instructions will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.

- CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST manual (available from euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 10:00 on 16 November 2020. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- A shareholder or shareholders having a right to vote at the Meeting and holding at least 5 per cent of the total voting rights of the Company (see Note 12 below), or at least 100 shareholders having a right to vote at the Meeting and holding, on average, at least £100 of paid share capital, may require the Company to publish on its website a statement setting out any matter that such shareholder(s) propose to raise at the Meeting relating

to either the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting of the Company in accordance with Section 527 of the Act.

Any such request must:

- identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement which is being supported;
- comply with the requirements set out in Note 11 below; and
- be received by the Company at least one week before the Meeting.

Where the Company is required to publish such a statement on its website:

- it may not require the shareholder(s) making the request to pay any expenses incurred by the Company in complying with the request;
 - it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and
 - the statement may be dealt with as part of the business of the Meeting.
- Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in Note 10 above:
 - may be made either:
 - in hard copy, by sending it to the Company Secretary, Town Centre House, The Merriion Centre, Leeds LS2 8LY; or
 - in electronic form, by sending it to 0113 234 0442, marked for the attention of the Company Secretary, or to info@tcs-plc.co.uk (please state 'TCS: AGM' in the subject line of the email);
 - must state the full name(s) and address(es) of the shareholder(s); and
 - (where the request is made in hard copy form or by fax) must be signed by the shareholder(s).
 - As at 22 September 2020 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consists of 53,161,950 Ordinary Shares of 25p each, carrying one vote each. The Company does not hold any Ordinary Shares in treasury. Therefore, the total voting rights in the Company as at 22 September 2020 are 53,161,950.

Notice of Annual General Meeting

continued

13. Shareholders have the right to ask questions at the Meeting relating to the business being dealt with at the Meeting in accordance with Section 319A of the Act. The Company must answer any such questions unless:

- 13.1 to do so would interfere unduly with the preparation for the Meeting or would involve the disclosure of confidential information;
- 13.2 the answer has already been given on a website in the form of an answer to a question; or
- 13.3 it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

14. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under Section 146 of the Act ('Nominee'):

- 14.1 the Nominee may have a right under an agreement between the Nominee and the shareholder by whom he/she was appointed, to be appointed, or to have someone else appointed, as a proxy for the Meeting; or

- 14.2 if the Nominee does not have any such right or does not wish to exercise such right, the Nominee may have a right under any such agreement to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in Notes 3 to 5 above does not apply to a Nominee. The rights described in such notes can only be exercised by shareholders of the Company.

15. Biographical details of all those Directors who are offering themselves for appointment or reappointment at the Meeting are set out on pages 58–59 of the Annual Report and Accounts.

16. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the Meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

17. The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the Meeting:

- 17.1 copies of the service contracts of the Executive Directors; and

17.2 copies of the letters of appointment of the Non-Executive Directors.

18. The information required by Section 311A of the Act to be published in advance of the Meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders is available at tcs-plc.co.uk.

Investor information

Registrar

All general enquiries concerning shareholdings in Town Centre Securities PLC should be addressed to:

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: +44 (0) 371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open from 9.00am–5.30pm, Monday to Friday excluding public holidays in England and Wales.

Telephone outside United Kingdom:

+44 (0) 371 664 0300

Email: shareholderenquiries@linkgroup.co.uk

Website: linkassetservices.com

Dividends

Interim dividend: 3.25p per share paid on 26 June 2020 to shareholders on the register on 29 May 2020.

Final dividend: 1.75p per share to be paid on 5 January 2021 to shareholders on the register on 4 December 2020.

Payment of dividends

Shareholders whose dividends are not currently paid to mandated accounts may wish to consider having their dividends paid directly into their bank or building society account. This has a number of advantages, including the crediting of cleared funds into the nominated account on the dividend payment date. If shareholders would like their future dividends to be paid in this way, they should complete a mandate instruction available from the registrars. Under this arrangement tax vouchers are sent to the shareholder's registered address.

Advisors

Independent Auditor
BDO LLP

Brokers
Überum
Peel Hunt

Bankers
Lloyds Banking Group Plc
The Royal Bank of Scotland Plc
Svenska Handelsbanken AB (Publ)

Solicitors
DLA Piper UK LLP
Bond Dickinson LLP
TLT LLP

Principal Valuers
Jones Lang LaSalle
CBRE

Corporate public relations
MHP Communications

Contact information

Registered office
Town Centre House
The Merriion Centre
Leeds LS2 8LY

Registered number
623364 England

Email
info@tcs-plc.co.uk

Website
tcs-plc.co.uk

Company Secretary
Link Company Matters
6th Floor
65 Gresham Street
London EC2V 7NQ

Registrar and transfer office
Link Asset Services

Trustees to mortgage debenture holders
Link Market Services Trustees Limited
c/o Apex Corporate Trustees (UK) Limited
6th Floor
125 Wood Street
London EC2V 7AN

Notes

Lined area for notes.

**Town Centre House
The Merrion Centre
Leeds
LS2 8LY**

+44 (0)113 222 1234

**6 Duke Street
Marylebone
London
W1U 3EN**

+44 (0)20 3370 0080

**info@tcs-plc.co.uk
tcs-plc.co.uk**

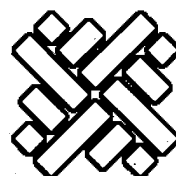
Printed by Park Communications on FSC® certified paper.

Park works to the EMAS standard and its Environmental Management System is certified to ISO14001.

This publication has been manufactured using 100% offshore wind electricity sourced from UK wind.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

This document is printed on Revive 100 Silk, a white triple coated sheet that is manufactured from FSC® Recycled certified fibre derived from 100% pre and post-consumer wastepaper containing 100% recycled fibre. The FSC® label on this product ensures responsible use of the world's forest resources.



**Town
Centre
Securities
PLC**